

Appendix A

A. Strategic asset allocation policy

(59% Equities; 13% Real Return Assets; 28% Fixed Income)

| <u>Asset Class</u> | Low | Target | High |
|-----------------------------------|-----|--------|------|
| Domestic, Large-Cap Common Stocks | 32% | 35% | 38% |
| Domestic, Mid-Cap Common Stocks | 4% | 6% | 8% |
| International Common Stocks | 10% | 12% | 14% |
| Real Return Assets | 4% | 13% | 15% |
| Broad Bond Market | 21% | 28% | 35% |
| TOTALS: | | 100.0% | |

B. Performance Benchmarks

| <u>Asset Class</u> | Target | Asset Class Benchmark |
|-----------------------------------|--------|--|
| Domestic, Large-Cap Common Stocks | 35% | S&P 500 Index |
| Domestic, Mid-Cap Common Stocks | 6% | S&P 400 Index |
| International Common Stocks | 12% | MSCI EAFE Index |
| Domestic Real Estate | 6.5% | Dow Jones US Select REIT Index |
| Commodities | 3% | Credit Suisse Commodity Index |
| International Real Estate | 1.5% | Dow Jones Global ex US Select REIT Index |
| Inflation-Protected Bonds | 7% | Barclays Capital TIPS Index |
| Broad Bond Market | 28% | Barclays Capital Aggregate Bond Index |
| TOTALS: | 100.0% | The sum of the policy asset class target weights multiplied by the respective asset class performance benchmarks |

* includes Domestic, Micro-Cap Common Stocks

C. Performance Evaluation

The Fund's investment portfolio is expected to generate returns that are comparable to the returns in the capital markets. The Investment Committee expects to measure the performance at quarterly intervals. Performance will be calculated on a time-weighted total return basis and will be compared to a weighted composite consisting of: 35% S&P 500 Large-Cap, 6% S&P 400 Mid-Cap, 6% S&P 600 Small-Cap, 12% MSCI EAFE, International, 6% Wilshire REIT, and 35% Lehman Brothers Aggregate Bond Index.

APPENDIX B

A. DEFINITIONS

“Fund” shall mean the Fredonia College Foundation.

“Board of Directors” shall refer to the governing board of the Fredonia College Foundation established by the Amendment No. 161 (formerly Section 266) of the Constitution of New York of 1901 and Section 16-48-1 et sep., Code of New York in which authority to invest monies is delegated.

“Fiduciary” shall mean any individual or group of individuals that exercise discretionary authority or control over fund management or any authority over management, disposition or administration of the Fund assets.

“Investment Manager” shall mean any individual, or group of individuals, employed to manage investments of all or part of the Fund assets.

“Investment Management Consultant” shall mean any individual or organization employed to provide advisory services, including advice on investment objectives and/or asset allocation, manager search, performance monitoring and reporting.

“Securities” shall refer to the marketable investment securities which are defined as acceptable in this statement.

“Investment Horizon” shall be the time period over which the investment objectives, as set forth in this statement, are expected to be met. The Fund has a perpetual life.

“Total Return” refers to the total sum of all income earned, including dividends and interest, plus realized and unrealized capital appreciation.

“Underwater Endowment Fund” is an endowment where the calculated market value is less than the total of the principal or historic value.