STATEMENT OF INVESTMENT POLICIES
AND STANDARDS OF FIDUCIARY CONDUCT

Adopted by the Board of Directors April 8, 1994
Amended: December 12, 1997; December 11, 1998; September 11, 2000; June 15, 2001; March 15, 2002; December 10, 2004; September 1, 2005; December 1, 2005; September 14, 2006; December 17, 2007; March 13, 2008; June 18, 2009; December 16, 2010; December 15, 2011; September 20, 2012; March 28, 2013; September 18, 2014; October 8, 2015; April 15, 2016; September 16, 2016

Definition of Terms

Fund: A portfolio of investments managed by a third party and targeted toward specific types of investments and returns in which the Foundation invests "funds" which are monies or assets of the Foundation.

Fund Manager: The third-party person(s) or firm responsible for implementing a fund's investing strategy and managing its portfolio trading activities. Also known as an "investment manager".

Investment Strategy: A plan to guide investment decisions

The Foundation: Berkshire Taconic Community Foundation

I. OBJECTIVE

The investment objective of the Foundation is to maximize the return from the various investment portfolios while preserving capital and liquidity, and producing long term growth with moderate risk appropriate for each portfolio. Annual performance will be measured primarily according to total return in the case of the Managed Portfolio. Berkshire Taconic Community Foundation strives to have performance in the top quartile of its peer group, viewed over any rolling 3 to5-year period and produce on average, over long term horizons, returns that will offset spending plus inflation plus administrative fees. Berkshire Taconic complies with the Uniform Prudent Management of Institutional Funds Act (UPMIFA) in the management of its endowed funds.

II. THE INVESTMENT COMMITTEE

Berkshire Taconic's Investment Committee is comprised of from 6 to 8 people who have extensive experience with institutional investment issues and practices, and who together provide a broad range of expertise in different asset classes. At any one time at least one half of the Committee must be comprised of board members. The remaining half may be residents of the region with expertise that enhances or complements the Board members on the Committee, and who will generally have staggered 3 to 5 year terms. The Committee must be free from actual and perceived conflicts of interest, and sign appropriate statements. Committee members must be committed to ongoing education and doing research on a regular basis on various investment styles, methods and emerging asset classes and willing to challenge (and be challenged on) the assumptions, philosophy and guidelines of the investment process and objectives.

The role of the Investment Committee is to establish and continuously monitor the investment policies and guidelines of the Foundation and to recommend investments. Through the Committee Chair, it reports to the full Board quarterly on the performance of the various portfolios as well as any other relevant issues including approval of any new managers and changes to the asset allocation model. This role includes establishing overall and manager specific benchmarks, the hiring, overseeing and if needed, firing of managers not follow their mandates or meet Berkshire Taconic's performance expectations.

In addition, the Investment Committee recommends to the Board the annual spending policy for all its endowed funds under management. In doing so, it takes into account general economic conditions, the possible effects of inflation/deflation and Berkshire Taconic's commitment to its mission to improve the quality of life in the region. It is acknowledged that investment returns are a key factor in the grantmaking and operations of the Foundation. The Committee also reviews and recommends to the Board policies and practices with regard to planned giving instruments.

The Committee at all times shall have authority to invest and reinvest the funds of the Foundation, and to sell or exchange funds or securities. Such actions may be taken directly and/or delegated to outside fund managers. The Committee will exercise prudence and good faith in selecting, instructing and monitoring agents/managers to manage funds provided that with respect to the engagement of new investment managers, the Chairman of the Investment Committee shall provide all Board members with written notice of the Investment Committee's intention to take such action at least 5 days prior to entering into any such engagement ("Notice Period"). Should any Board member provide the Chairman of the Investment Committee with a written objection to any such action within the Notice Period, approval by a majority vote of the Board or the Executive Committee shall be required prior to the Investment Committee's entering into any such new engagement. (All notices and objections to be provided hereunder may be provided by email or other electronic communication.). The Committee, from time to time, shall submit to the Board such other matters of, or changes to, general financial policy and strategy, as the Committee may desire to have considered for approval.

The Committee is responsible for establishing, subject to Board approval, the asset allocation strategy for all portfolios, which shall be reviewed at least annually, and for establishing appropriate benchmarks and then monitoring the performance of the total portfolio and of the individual fund managers who are chosen for their expertise in a particular strategy. Normally the fund manager's performance will be judged over a 1 to 3 year period. In its review, the Committee will consider, among others, the following criteria:

1. Adherence to Overall Investment Policies – that the fund managers follow investment strategies consistent with the current policies set forth in this document.

2. Adherence to Specific Strategy – that each fund manager adheres to its stated strategy and that any significant change is communicated to the Committee in writing as soon as possible with an explanation as to why, and what impact it may have on performance and risk.

3. Acceptable Growth of Total Return – that the assets under management are growing satisfactorily in a manner consistent with the asset allocation parameters and investment objectives of the capital under management, and consistent with overall market direction.

4. Relative Performance – Performance of each fund manager will be monitored by the Committee not less than quarterly and will be measured using appropriate investment industry benchmarks as recommended by each fund manager and agreed to by the Investment Committee. If the Committee determines that a manager has consistently under performed the relevant benchmark, it may decide to reduce or redeem the investment. .

III. THE FOUNDATION INVESTMENT PORTFOLIOS AND ASSET ALLOCATION

The Foundation currently has established five different portfolios to accommodate donors with different investment perspectives. The following is a summary of each together with their respective asset allocations.

1. Managed Portfolio – This portfolio was created for all of our endowed funds and the majority of our other funds which are pooled and invested for the long term. It is structured on the premise that a highly diversified portfolio with a bias toward quality, equity-oriented investments will insure the best total return over time. The established asset allocation strategy for the portfolio should target a standard deviation below 13 on average. It should also consider the latest available information from the Foundation's CFO on liquidity requirements of the invested funds, which should be reviewed regularly.

Present Asset Allocation Guidelines:

Asset Class (% Allocation)		Range
Total Equity		**45% to 80%**
	Global Public Equity	35% to 50%
	Global Private Equity	5% to 15%
	Global Long/Short Equity	5% to 25%
Credit		**5% to 20%**
	Includes Core Bond, non US Credit	
Multi Strategy		**5% to 30%**
	Includes Absolute Return / Event-Driven	
Liquidity		**0% to 10%**
	Includes Cash T-Bills	
Inflation/Deflation Hedging		**0% to 20%**
	Includes assets: oil, gas, timber, commodities, U.S. treasuries	

2. Income Portfolio – This portfolio pools funds for those individuals and organizations that want their funds to be invested in fixed income opportunities only.

   Present Guidelines:

Bonds, Preferred Stock & Cash	90 – 100 %
Cash Equivalents	0 – 10 %

3. Minimum Market Risk Portfolio – This portfolio was established to accommodate organizations and individuals that want their funds to be invested with minimum risk. It is invested in high quality, liquid short-term fixed income securities which will typically have lower but more stable returns than the Managed or Income Portfolios.

4. Socially Responsible Investment Portfolio – This opportunity was created for those individuals and organizations that want fund assets invested in a socially responsible manner and are willing to forgo annual return potential to take advantage of the social aspects of this investment. The portfolio uses a balanced approach with approximately 60% invested in equities and 40% in bonds and cash.

5. Separately Invested Portfolio – This is a vehicle that was created for special situations such as restricted securities. These portfolios will be held separately from the investment portfolios until such restriction is lifted. Occasional gifts are offered to the Foundation whereupon the donor wishes to retain an investment manager. Such gifts of $500,000 or more will be considered by the Committee and monitored in accordance with the provisions for all investment managers as set forth in this document, as well as the more detailed policy specific to separately managed portfolios approved by the Committee and Board. The Committee will not consider situations where the donor or related persons are the investment manager.

As a general rule, securities received as gifts will be sold on receipt and allocated to the relevant fund (e.g. Managed Portfolio)

IV. INVESTMENT POLICIES AND PRACTICES

1. The investment committee shall invest the funds under its care in index funds and actively managed funds consistent with the ranges approved for asset allocation and with strategies and objectives it has set. The specific investments held within each fund are to be determined by the fund managers selected by the investment committee.

2. Bond funds which are selected should contain bonds which are primarily investment grade but may also contain some lower grade bonds. Bond maturities should be staggered, and provide appropriate market duration.

3. Fund managers are to provide the Foundation directly or through its custodian with monthly or quarterly reports:

   - a report of the portfolio's market value as of the last day of the month or quarter,
   - reinvestment of all income collected and gains on realized transactions,
   - a report of all fees and commissions and charges
   - a report of all withdrawal or fund addition transactions, with a month-end or quarter- end schedule of assets
   - a report indicating asset allocation percentages, monthly or quarterly net return, annualized total return, and measurements of performance against the relevant benchmark and any others that may be appropriate and requested.

4. The Investment Committee will consider the reasonableness of anticipated fees and expenses

5. The Managed Portfolio shall be diversified as to fund managers and as to underlying industries and geography. Exposure to an individual fund manager will not exceed 8% for actively managed funds (excluding investment grade government securities). In the case of index funds, the Committee will determine the appropriate limit within the overall asset class allocation. On a regular basis the Investment Committee will review the overall composition of the Pool to ensure the asset allocation and diversification guidelines are being met.

6. Use of a Central Custodian
   The Managed Pool will utilize the services of a central custodian to hold funds as allowed by the fund managers.

7. Use of a Consultant
   The Investment Committee is required by the Board of Directors to utilize the services of a well-recognized institutional investment consultant to provide an entirely independent viewpoint on all portfolio management matters, conduct systematic and continuous review of all capital markets, systematically and proactively source best-in-breed investment ideas across all asset classes, perform rigorous due diligence on any fund manager being considered for investment, continually monitor existing portfolio managers, and prepare comprehensive, detailed and customized performance monitoring services including performance relative to benchmarks and Peer Groups. The consultant will periodically report directly to the full Board on the activities and performance of the portfolios and Investment Committee.

The due diligence on each fund being considered for investment shall include an analysis of:

- the strategy of the fund manager and its performance
- the liquidity and diversification of the underlying portfolio investments
- the quality and stability of investment professionals in the fund manager
- the decision making process for portfolio strategy, structure and investment selection
- internal financial and risk management controls, pricing policies, and reporting systems
- ownership structure and alignment of interests among investment professionals with long term expectations
- gates, lock ups and any other factors which may affect the Foundations ability to redeem its investment
- fees and expenses
- external references and interview with the fund manager.

8. Prior to committing to an investment in a fund, the Investment Committee shall interview the fund manager and ensure that adequate due diligence was performed by the consultant.

9. Conflict of Interest
If any member of the committee, staff or consultant shall have, or appear to have, a conflict of interest regarding the fund being considered for investment (that may be perceived to affect his or her ability to exercise independent judgment) he or she shall disclose such conflict prior to discussion and shall abstain from any vote that may be taken.

V. Spending Policy

Berkshire Taconic's spending policy is designed to allow the assets of an endowed fund to be invested on a "total return" basis to maintain and, if possible, increase the purchasing power of the Fund, while at the same time providing a relatively steady and predictable level of funding for grantees. The spending policy in effect on the date hereof is 4.25% of the value of the endowed fund based on the average of the trailing twenty quarters as of June 30th and is determined annually. If the fund is under historic dollar value (HDV), the spending rate will be reduced as follows:

Under HDV by	Spending Rate
0 – 1%	4.0%
1 – 5%	3.75
5 – 10%	3.25%
>10%	2.25%

The funds will be managed in accordance with the Uniform Prudent Management Institutional Funds Act (UPMIFA) and thus the following provisions are considered when determining the spending rate:

1. The duration and preservation of the endowment fund
2. The purposes of the institution and the endowment fund
3. General economic conditions
4. The possible effect of inflation or deflation
5. The expected total return from income and appreciation of assets
6. Other resources of the institution
7. Where appropriate and circumstances would warrant, alternatives to expenditure of the endowment fund, giving due consideration to the effect that such alternatives may have on the institution
8. The investment policy of the institution

The Investment Committee reviews the spending policy and makes a recommendation to the Board annually in September for the following calendar year.