

**American Association of Collegiate Registrars and Admissions Officers
Minutes of the Meeting of the Board of Directors**

January 9, 2007
via Conference Call

Board Members in Attendance: Luz Diaz Barreras, Mary Baxton, Jerry Bracken, Dan Garcia, Nora McLaughlin, Angé Peterson, Joseph Roof, Wanda Simpson, Paul Wiley

Staff Members in Attendance: Suzanne Levine, Jerome Sullivan, Janie Barnett

Guests in Attendance: Arun Sardana, Morgan Stanley

Call to Order

President Peterson called the meeting to order at 3:00 P.M. EST

New Business

MOTION 2007.01.01 – The Investments Committee moved that the Board of Directors amend its Investment Policy as attached.

It was duly moved and seconded that the proposed policy be amended by moving part of section 7.2 to a new section 7.13.6. ADOPTED.

The Investment Policy was ADOPTED as amended (see attached).

MOTION 2006.01.02 – The Investments Committee moved that AACRAO's portfolio with YellowWood Financial Advisors, Inc. be liquidated and invested with Morgan Stanley Dean Witter in the newly-established long-term investment funds as follows: \$2,250,000 to the AACRAO Endowment Fund, \$1,350,000 to the Infrastructure Fund, and \$900,000 to the Strategic Initiatives and Infrastructure Fund. In addition, \$430,000 is to be invested in the Operating Reserves. ADOPTED.

Adjournment

MOTION 2006.01.03 – It was duly moved and seconded that the Board of Directors meeting be adjourned. ADOPTED.

The Board of Directors meeting adjourned at 4:17 P.M. EST.

Attachments

Investment Policy as Drafted by the Investment Committee on December 28, 2006
Investment Policy as Amended on January 9, 2007

Draft approved by the Investments Committee on December 28, 2006

American Association of Collegiate Registrars and Admissions Officers

Association Investment Policy

1. Board of Directors

- 1.1. Fiduciary Capacity – All funds of the American Association of Collegiate Registrars and Admissions Officers (“AACRAO”) are held by its Board of Directors (“Board”) as a fiduciary. Therefore, all restricted and unrestricted funds of the organization are held by the Association as a steward for the sake of carrying out AACRAO’s mission and objectives. The following instructions are to be understood and employed with that sense of stewardship in mind.
- 1.2. Prudent Investor - The basic investment standards shall be those of a prudent investor as articulated in laws of the District of Columbia. This standard requires that the Board invest and manage AACRAO’s funds as a prudent investor would, in light of the purposes, terms, distribution requirements, and other circumstances of the funds. This standard requires that the Board exercise reasonable care, skill, and caution, and is to be applied to investments not in isolation but in the context of the overall investment portfolio and as a part of an overall investment strategy, which should incorporate risk and return objectives reasonably suitable to the portfolio. In making and implementing investment decisions, the Board has a duty to diversify the investments of the portfolio unless, under the circumstances, it is prudent not to do so. In addition, Board members must conform to fundamental fiduciary duties of loyalty and impartiality; act with prudence in deciding whether and how to delegate authority and in the selection and supervision of agents; and, incur only costs that are reasonable in amount and appropriate to the investment responsibilities of those agents.
- 1.3. The Board of Directors will
 - 1.3.1. approve the selection, hiring, and termination of all outside financial advisors and other outside investment professionals; and
 - 1.3.2. establish investment guidelines and policies that direct the investment of the Association’s portfolio including asset allocation, risk tolerance, and investment time horizon.
- 1.4. Conflicts of Interest – The Board will not invest AACRAO funds with any firm or in any vehicle that may monetarily benefit a member of the Board or the AACRAO staff as a result of the transaction.
- 1.5. Amendment – The Board reserves unto itself the exclusive right to amend or revise this policy.

2. Investments Committee

- 2.1. Purpose - The purpose of the Investments Committee is to assist the Board in reviewing investment policies, strategies, transactions, and the performance of the Association's investment portfolio(s).
- 2.2. Membership – The Investments Committee shall be composed of the President, the Past-President, the President-Elect, and the Vice President of Finance, who will serve as chair. The Executive Director will serve as ex-officio member.
- 2.3. Responsibilities – The Investments Committee shall
 - 2.3.1. supervise the overall implementation of AACRAO's investment policies by the Executive Director and outside investment professionals; and
 - 2.3.2. recommend the selection, hiring, and termination of all outside financial advisors and other outside investment professionals to the Board of Directors for its approval; and
 - 2.3.3. recommend the establishment of investment guidelines and policies to the Board of Directors for its approval; and
 - 2.3.4. review and evaluate the performance of the investment portfolio and financial advisors and other outside investment professionals at least once per fiscal year to assure adherence to policy guidelines, and monitor progress toward achieving investment objectives, and report the results of such reviews and evaluations to the Board; and
 - 2.3.5. provide overall supervision to the Executive Director to whom the Committee delegates specific duties related to AACRAO investments; and
 - 2.3.6. act in accord with this investment policy and all applicable laws and state and federal regulations that apply to nonprofit agencies including, but not limited to, the Uniform Prudent Investors Act of 1994 and the Uniform Management of Institutional Funds Act; and
 - 2.3.7. perform other duties as delegated by the Board from time to time.

3. Management

At the discretion of the Investments Committee, specific duties, tasks, and responsibilities related to the Association's investments may be assigned or delegated to the Executive Director from time to time, subject to the overall supervision of the Investments Committee.

4. Financial Advisors

- 4.1. Financial Advisor(s) - Relative to the perpetual life of AACRAO's long-term investment funds, service on the AACRAO Board or its Investments Committee is transitory. In addition, it is unlikely that a sufficient number of members of the Investments Committee will possess the technical expertise to manage directly the investment portfolio. For these reasons, the Investments Committee shall employ one or more financial advisors (investment advisors, investment managers, investment consultants, investment custodians, etc.) to manage AACRAO's investment funds rather than directly managing investments itself.
- 4.2. Investment Guidelines – While the financial advisors are responsible for day-to-day investment decisions on behalf of the Board, they will follow written guidelines that limit their actions to a range of investment activities approved by the Board (see section 7 below).
- 4.3. Responsibilities of Financial Advisors – Financial advisors shall
 - 4.3.1. consult with the Investment Committee and Executive Director on investment goals and strategic long-term direction of the Association; and
 - 4.3.2. recommend investment guidelines, asset allocation strategies, risk-based fund objectives, and appropriate investment management structures; and
 - 4.3.3. adhere to all investment guidelines established by the Board (see section 7 below); and
 - 4.3.4. select, monitor, and evaluate investment managers and/or investment entities; and
 - 4.3.5. provide and review quarterly and annual performance measurement reports and assist the Investments Committee in interpreting the results; and
 - 4.3.6. provide appropriate monthly reports to the Association's accounting staff; and
 - 4.3.7. review the portfolio and recommend actions, as needed, to maintain proper asset allocations and investment strategies for the objectives of each fund in light of the economic and market environments; and
 - 4.3.8. assist in an annual review of the Investment Policy; and
 - 4.3.9. execute such other duties as may be mutually agreed.

5. Operating Reserves

AACRAO will maintain sufficient operating reserves to ensure adequate cash for operations. These reserves shall be maintained in investment instruments according

Draft approved by the Investments Committee on December 28, 2006

to the approved Investment Guidelines (see section 7 below). The Executive Director is responsible for advanced planning that will ensure that the Association's cash flow requirements are met, and for notifying financial advisors and other money managers of anticipated distributions and liquidity requirements.

6. Long-Term Investment Funds

The Board maintains three long-term investment funds: an Infrastructure Fund, a Strategic Initiatives and Investment Fund, and an Unrestricted Endowment Fund. It is anticipated that the Association will spend only a limited amount from these funds in order to ensure their perpetual existence. Other unrestricted, temporarily restricted, or permanently restricted funds may be established by the Board from time to time.

6.1. Infrastructure Fund

- 6.1.1. Purpose - The purpose of the Infrastructure Fund is to fund expenses for equipment and hardware upgrades, software acquisition and development, office repairs and improvement, or similar infrastructure costs that are unexpected, and therefore unbudgeted, or that the Board considers imprudent to fund from operating revenues.
- 6.1.2. Distributions - Distributions from the Infrastructure Fund are made as needed and require the approval of the Board, which should review the need for distributions from the fund at least once per fiscal year. Distributions from the fund may not cause the fund to drop below its minimum balance.
- 6.1.3. Contributions – Contributions to the Infrastructure Fund must be approved by the Board and will normally comprise 25% of those net revenues and unrestricted gifts designated by the Board for investment. The Board should evaluate whether new contributions can be made to investment funds at least once per fiscal year. Contributions to the fund may not cause the fund to exceed its maximum balance.
- 6.1.4. Minimum/Maximum Balances - The fund should maintain a minimum value of \$100,000 and the maximum value of the fund should not exceed one-third of the then current fiscal year's budgeted expenditures. That is, if the current fiscal year budgeted expenditures are six million dollars, the value of the fund should not exceed two million dollars.
- 6.1.5. Co-Mingling of Investments – The Infrastructure Fund is to be invested separately from other investments (in one or more accounts) and may not be co-mingled with other investments.

6.2. Strategic Initiatives and Investments Fund

- 6.2.1. Purpose - The purpose of the Strategic Initiatives and Investments Fund is to provide a means for the Board to develop new programs or replace outdated ones, to expand the Association's interests and services, or to invest in new revenue-producing opportunities. Such programs, services, or investments should contribute directly or indirectly, in time, to the overall financial health of the Association. When used for programmatic development, this fund should not serve as a source of ongoing support for Association endeavors, but rather should provide seed money for services that would eventually need to be supported by current revenues or discontinued.
- 6.2.2. Distributions - Distributions from the Strategic Initiatives and Investments Fund are made as needed and require the approval of the Board, which should review the need for distributions from the fund at least once per fiscal year. Distributions from the fund may not cause the fund to drop below its minimum value.
- 6.2.3. Contributions – Contributions to the Strategic Initiatives and Investments Fund must be approved by the Board and will normally comprise 25% of those net revenues and unrestricted gifts designated by the Board for investment. The Board should evaluate whether new contributions can be made to investment funds at least once per fiscal year. Contributions to the fund may not cause the fund to exceed its maximum value.
- 6.2.4. Minimum/Maximum Value - The Strategic Initiatives and Investments Fund should maintain a minimum value of \$100,000 and the maximum value of the fund should not exceed one-third of the then current fiscal year's budgeted expenditures. That is, if the current fiscal year budgeted expenditures are six million dollars, the value of the fund should not exceed two million dollars.
- 6.2.5. Co-Mingling of Investments – The Strategic Initiatives and Investments Fund is to be invested separately from other investments (in one or more accounts) and may not be co-mingled with other investments.

6.3. AACRAO Endowment Fund

- 6.3.1. Purpose - The purpose of the Endowment Fund is to generate a permanent, steady stream of income (both restricted and unrestricted) for the Association.
- 6.3.2. Composition – The AACRAO Endowment Fund is comprised of a board-designated ("quasi") endowment fund and donor-restricted endowment funds that were given in order to generate operating revenues for the Association. While it is anticipated that the large majority of the AACRAO Endowment Fund will consist of

Draft approved by the Investments Committee on December 28, 2006

board-designated ("quasi") endowment, donor-restricted funds such as the J. Douglas Connor Fund will also be part of the AACRAO Endowment Fund.

6.3.3. Distributions

6.3.3.1. Distribution Value - The AACRAO Endowment Fund shall annually distribute an amount less than or equal to five percent (5%) of the Fund's average value as calculated in section 6.3.3.2. This distribution value shall be computed annually. Thereafter, distributions shall be made quarterly in an amount equal to one-quarter (25%) of the calculated distribution value, which is less than or equal to one and one-quarter percent (1.25%) of the AACRAO Endowment Fund's average value. Distributions may be taken from principal or income. The distributions shall be made promptly following the close of each quarter. To the extent that it may legally do so, the Association shall interpret this policy as satisfying a gift provision that calls for retaining principal and distributing income.

6.3.3.2. Average Value – The average value of the AACRAO Endowment Fund is defined as the average of the fair market value of the fund as of the close of the preceding 12 calendar quarters. The Fund's market value shall be based upon all assets in the Fund including principal and retained income, adjusted for all gains and losses, whether realized or unrealized, and determined as of the last business day of the quarter.

6.3.3.3. Initial Distribution – The initial distribution from the AACRAO Endowment Fund shall not be made until the fiscal year following the fiscal year in which the AACRAO Endowment Fund's average value as calculated in section 6.3.3.2 reaches ten million dollar (\$10,000,000).

6.3.4. Contributions – Contributions to the AACRAO Endowment Fund must be approved by the Board and will normally comprise 50% of those net revenues and unrestricted gifts designated by the Board for investment as well as donor-restricted funds that were given in order to generate operating revenue for the Association. The Board should evaluate whether new contributions can be made to investment funds at least once per fiscal year.

6.3.5. Minimum/Maximum Value - The AACRAO Endowment Fund should maintain a minimum value of one million dollar (\$1,000,000). There is no maximum value for the fund.

Draft approved by the Investments Committee on December 28, 2006

- 6.3.6. Co-Mingling of Investments – The AACRAO Endowment Fund is to be invested separately of other investments (in one or more accounts) and may not be co-mingled with other investments.

7. Guidelines for Financial Advisors

- 7.1. Investment Purpose - The investment purpose of the long-term investment funds is to provide financial stability and operating revenue in support of the Association mission. Income and gains from all these funds, in addition to spending guidelines of each fund as listed above, may be spent to support the prescribed functions of the respective fund.
- 7.2. Investment Objectives - The primary investment objective of the long-term investment funds is to achieve positive absolute return in a 3-5 year period. For the AACRAO Endowment Fund, this shall be defined as at least 5% + CPI net of fees. For both the Strategic Initiatives and Investments Fund and the Infrastructure Fund, this shall be defined as at least 4% + CPI net of fees. The expectation of the funds is to meet or exceed the rate of return of its own custom index measured over a 3-5 year period. The custom index is defined as a mix of relevant indices in the same proportion as the **strategic** allocation of each asset class in the portfolio. For example, a 10% allocation to the large cap value investment manager will require that the custom index include 10% of Russell 1000 Value or another appropriate index in the mix. This target of return would be accomplished through long-term capital appreciation, principal preservation, and achievement of returns consistent with each category of investment.
- 7.3. Investment Objective - The objective of the account is to pursue a long-term goal designed to maximize the returns without exposure to undue risk, as defined herein. Whereas it is understood that fluctuating rates of return are characteristic of the securities markets, the greatest concern is long-term appreciation of the assets and consistency of total portfolio return. Objectives will be measured by results achieved over a three-year rolling period.
- 7.4. Risk, Volatility and Loss - AACRAO recognizes that risk (i.e. the uncertainty of future events), volatility (i.e. the potential for variability of asset values), and the potential loss in purchasing power due to inflation are present to some degree with all types of investment vehicles. The assumption of a level of risk that is commensurate with AACRAO's objectives is warranted in order to allow the investment portfolio the opportunity to achieve satisfactory results consistent with its objectives and characteristics. AACRAO will accept the exhibition of portfolio volatility characteristics that approximate the appropriate index as outlined below in section 7.13 below. Nonetheless, it is AACRAO's preference that the maximum losses incurred by the portfolio in any one year not exceed that of the comparative index. The financial advisor(s) should take actions to minimize losses.
- 7.5. Asset Allocation – Each of the long-term investment funds will have its own specific asset allocation in order to serve its purpose effectively. The specific asset allocation for each long-term investment fund is listed in Addendum I, A-C. From time to time and with the advice of the financial advisor(s), the Investments Committee may amend the asset allocations in

Draft approved by the Investments Committee on December 28, 2006

Addendum I, A-C. However, the mix of assets in any of the long-term investment funds should fall within the following tactical ranges:

- 7.5.1. Cash - 0-20%
- 7.5.2. Equities – 30-85%
 - 7.5.2.1. Large Cap Value – 2-30%
 - 7.5.2.2. Large Cap Growth – 2-30%
 - 7.5.2.3. Small/Mid Cap Value – 0-20%
 - 7.5.2.4. Small/Mid Cap Growth – 0-20%
 - 7.5.2.5. International (Developed) – 2-30%
 - 7.5.2.6. Emerging Markets – 0-20%
- 7.5.3. Fixed Income – 15-70%
 - 7.5.3.1. Fixed Income (International) – 0-10%
 - 7.5.3.2. Investment Grade (Domestic) – 15-70%
- 7.5.4. Alternative Investments – 0-30%

During the first 18-24 months after changing portfolio advisors or during drastic economic periods (as determined by the Investments Committee), portfolio allocations may be gradually brought to tactical allocations as listed above. Therefore, allocations for any asset class may deviate significantly from the tactical ranges above during such periods, and will not be considered a violation of this investment policy.

- 7.6. Rebalancing Procedures - It is understood that market movements and tactical adjustments may cause the actual allocation of assets to vary from the tactical allocations listed in Addendum I, A-C or future revisions of that Addendum. Therefore, it will be necessary to rebalance the portfolios to those tactical allocations periodically. The tactical ranges set forth in 7.5 are thresholds that should be reviewed quarterly by AACRAO after receipt of quarterly investment reports from the financial advisor(s), who will regularly monitor the portfolio for any variations from tactical allocations. The following discipline will be followed for rebalancing:

- 7.6.1. If the actual allocation in any of the four major asset classes (Equities, Fixed Income, Alternatives and Cash) varies from the tactical allocation by at least 5% in absolute terms, it will call for an immediate rebalancing of the portfolio back to the tactical amounts. The financial advisor(s) will provide information regarding such variations as quickly as is practically feasible to the Executive Director or any other authorized signatory and obtain verbal authorization to implement the necessary rebalancing of the portfolio to the tactical allocation.

Draft approved by the Investments Committee on December 28, 2006

7.6.2. Once the initial transition into the tactical asset allocation is complete, the portfolio will be evaluated at the end of every calendar quarter and any variations of 5% or greater, in absolute terms, will generate a rebalancing recommendation. The Executive Director will approve the rebalancing recommendations.

7.6.3. If possible, new cash flows should be used for rebalancing. If new cash is not available, current investments should be bought and sold to achieve the tactical asset allocation.

7.7. Diversification, Marketability, Yield and Quality Consideration - Seeking to establish a diversified program of investments, assets shall be invested under the management of one or more registered investment advisors in alternative investments, index-linked exchange traded funds (ETF) in portfolios of U.S. domestic equities, domestic fixed income, and international equities. Investment vehicles and amounts allocated to each vehicle may change after a thorough review of the capital markets.

The types of stocks and market capitalization of the companies purchased for the portfolio are within the discretion of the financial advisor(s). The financial advisor(s) is expressly permitted to invest in small, medium and large capitalization stocks.

7.8. Equity Portfolio

7.8.1. Equity holding in any one company in each investment advisor's portfolio may not exceed 5% of portfolio at cost or 10% of account value.

7.8.2. Equity holding in non-U.S. investments, including emerging markets, may not exceed 45% of the market value of the portfolio.

7.8.3. Equity securities shall in general possess value and quality corroborated by accepted techniques and standards of fundamental and technical analysis.

7.9. Fixed Income Portfolio

7.9.1. Investments in bonds should be actively managed. Active management is meant to include shifting sector emphasis as well as effecting other prudent strategies that enhance the portfolio or decrease the volatility or exposure to capital depreciation. However, the weighted average maturity of the portfolio must be 10 years or less with a maximum of **30** years for individual securities.

7.9.2. The diversification of fixed income securities by maturity, sector, and geography is the responsibility of the financial advisor(s), with final approval provided by the Investments Committee.

Draft approved by the Investments Committee on December 28, 2006

- 7.9.3. Fixed income securities shall be marketable, intermediate-term maturity securities with an average portfolio rating of no less than "A" as rated by Standard and Poors or Moody's. The following instruments are acceptable:
 - 7.9.3.1. Commercial paper or variable rate notes of P-1 or equivalent rating.
 - 7.9.3.2. Certificates of deposit and bankers acceptances (A-rated or above).
 - 7.9.3.3. United States Treasury bonds, notes, and bills.
 - 7.9.3.4. Repurchase agreements with U.S. Treasury securities and agencies of the U.S. Government as collateral.
 - 7.9.3.5. Debt instruments of the U.S. Government or its agencies.
 - 7.9.3.6. Corporate debt issues with an investment grade rating from a major bond-rating agency such as Moody's or Standard and Poors (BBB-rated or higher).
- 7.9.4. Standard and Poors or Moody's must rate bonds as "BBB" or higher to be purchased for the portfolio. Bonds that are split rated will, for the purposes of this portfolio, be considered investment grade and thus eligible for purchase. Split rated bonds are defined as bonds that have an investment grade rating with Standard and Poors and a non-investment grade rating with Moody's or vice versa.
- 7.9.5. The portfolio's fixed income exposure to any specific industry group may not exceed **20 %** of the market value of the portfolio.
- 7.9.6. The fixed income holding of a single issuer may not exceed 10% of the market value of the portfolio.
- 7.9.7. The portfolio diversification requirements do not pertain to investments in debt securities issued by the U.S. Government or its fully guaranteed agencies.
- 7.10. Alternative Investments Portfolio
 - 7.10.1. A range of alternative investments may be considered prudent to be included in the overall asset allocation with the objective of creating favorable risk-reward characteristics for the overall portfolio. These alternative investments may include private equity, managed futures (limited partnerships), hedge funds, inflation-indexed securities, real assets/natural resources, real estate or REITS, and commodities.

Draft approved by the Investments Committee on December 28, 2006

- 7.10.2. The tactical allocation for such alternative investments may range from 0%-30% of the total market value of the portfolio. This allocation is limited due to the high risk, long-term, illiquid nature of such commitments.
 - 7.10.3. AACRAO recognizes that while such alternative investments may carry a higher degree of risk if considered on their own, they may potentially reduce total portfolio risk and enhance total portfolio return since they may be uncorrelated to other asset classes in the portfolio mix.
- 7.11. Cash Equivalents Portfolio - While it is desirable that the financial advisor(s) use interest-bearing money market funds and other cash equivalent securities with a maturity of one year or less, AACRAO understands that attractive opportunities might arise with securities with longer maturities from time to time. The financial advisor(s) is permitted to invest in such securities.
- 7.12. The financial advisor(s) shall not purchase assets other than those expressly allowed in this statement without the written consent of AACRAO. The following are prohibited (except if executed in Alternative Investments portion of the portfolio).
 - 7.12.1. purchase of securities on margin
 - 7.12.2. options of all types
 - 7.12.3. letter stock
 - 7.12.4. private placements
 - 7.12.5. securities whose issuers have filed a petition for bankruptcy
 - 7.12.6. short sales
 - 7.12.7. specific industries or sectors as set forth by AACRAO Investments Committee or a designated sub-Committee
 - 7.12.8. tax exempt securities
 - 7.12.9. warrants
 - 7.12.10. foreign stocks (with the exception of American Depositary Receipts for the International allocation) unless the international investment advisor(s) deems such exposure appropriate and suitable.
- 7.13. Fund Performance Benchmarks
 - 7.13.1. Domestic equities should achieve a rate of return that equals or exceeds the relevant and recognized market index for the investment style as follows:

Draft approved by the Investments Committee on December 28, 2006

- 7.13.1.1. Large Cap Growth - Russell 1000 Growth or Barra Growth or S&P 500 for Large Cap Core or comparable index
 - 7.13.1.2. Large Cap Value - Russell 1000 Value or Barra Value or comparable index
 - 7.13.1.3. Mid Cap Growth- Russell Mid Cap Growth or comparable index
 - 7.13.1.4. Mid Cap Value - Russell Mid Cap Value or comparable index
 - 7.13.1.5. Small Cap Growth - Russell 2000 Growth or comparable index
 - 7.13.1.6. Small Cap Value - Russell 2000 Value or comparable index
- 7.13.2. International equities should achieve a rate of return that equals or exceeds the MSCI EAFE Index or MSCI World Index, as appropriate and relevant.
- 7.13.3. Emerging market equities should achieve a rate of return that equals or exceeds the MSCI Emerging Markets Free Index.
- 7.13.4. Domestic fixed income should earn an average annual return from income and capital appreciation that equals or exceeds the Lehman Brothers Government/Corporate Intermediate Bond Index or CITI 1-5 Year Government/Corporate Index.
- 7.13.5. Alternative investments should achieve a rate of return that meets or exceeds a relevant benchmark based on the choice of alternative investments placed in the portfolio.
- 7.14. Review and Reporting
 - 7.14.1. Annual Review - The Investments Committee will review, on an annual basis, written evaluations of the net-of-fee performance against the investment policies and benchmarks set forth above. The evaluation shall include a report of performance for each investment manager for past periods including the last quarter, last twelve months, last three years, and period since inception (both absolute and relative to appropriate indices). Returns shall be annualized and calculated on a time-weighted basis for the total portfolio. All returns should include income and dividends.
 - 7.14.2. The financial advisor(s) will provide a quarterly performance summary and a detailed quarterly evaluation of the four funds to the Investments Committee.
 - 7.14.3. The Investments Committee or its designee(s) shall meet with the financial advisor(s) at least semi-annually or as requested to

Draft approved by the Investments Committee on December 28, 2006

review fund investments and the current investment environment. At such meetings, the written and oral presentations shall cover the following:

- 7.14.3.1. The quarterly performance and asset allocation report described above, and an annual fee disclosure and a portfolio cross-check against the investment policy guidelines; and
 - 7.14.3.2. Discussion of the rationale for performance results by relating them specifically to investment strategy and tactical decisions implemented during the current review period; and
 - 7.14.3.3. Discussion of the financial advisor's specific strategy for the portfolio over the next period with specific reference to asset allocation and portfolio characteristics, as appropriate; and
 - 7.14.3.4. Supporting discussion of the next period's strategy with reference to financial advisor's capital market and economic assumptions, as appropriate; and
 - 7.14.3.5. Discussion of AACRAO's needs, goals, and objectives, if different from previous quarter.
- 7.15. Changes to Investment Guidelines – The Board reserves the right to make any changes to these guidelines as deemed necessary. All such changes will be made in writing and financial advisor(s) will be duly informed.

Addendum I-A

Asset Allocation for AACRAO Infrastructure Fund

As of December 28, 2006

<u>Asset Class</u>	<u>Strategic Allocation</u>	<u>Tactical Allocation</u>
Equities	55.0 %	55.0 %
Large Cap Value	10.0%	10.0%
Large Cap Growth	20.0%	20.0%
Small/Mid Cap Value	10.0%	10.0%
Small/Mid Cap Growth	0.0%	0.0%
International (Developed)	15.0%	15.0%
Emerging Markets	0.0%	0.0%
Fixed Income	40.0 %	40.0 %
Investment Grade	40.0%	40.0%
High Yield	0.0%	0.0%
International	0.0%	0.0%
Adjustable Rate Funds	0.0%	0.0%
Alternative Investments	5.0 %	5.0 %
Managed Futures	0.0%	0.0%
Hedge Fund of Funds	0.0%	0.0%
Real Assets/Natural Resources	5.0%	5.0%
TIPS	0.0%	0.0%
Real Estate/REIT's	0.0%	0.0%
Cash	0.0 %	0.0 %
TOTAL	100.0 %	100.0 %

Draft approved by the Investments Committee on December 28, 2006

Addendum I-B

Asset Allocation for AACRAO Strategic Initiatives and Investments Fund

As of December 28, 2006

<u>Asset Class</u>	<u>Strategic Allocation</u>	<u>Tactical Allocation</u>
Equities	56.0 %	56.0 %
Large Cap Value	12.0%	12.0%
Large Cap Growth	17.0%	17.0%
Small/Mid Cap Value	12.0%	12.0%
Small/Mid Cap Growth	0.0%	0.0%
International (Developed)	15.0%	15.0%
Emerging Markets	0.0%	0.0%
Fixed Income	40.0 %	40.0 %
Investment Grade	40.0%	40.0%
High Yield	0.0%	0.0%
International	0.0%	0.0%
Adjustable Rate Funds	0.0%	0.0%
Alternative Investments	4.0 %	4.0 %
Managed Futures	0.0%	0.0%
Hedge Fund of Funds	0.0%	0.0%
Real Assets/Natural Resources	4.0%	4.0%
TIPS	0.0%	0.0%
Real Estate/REIT's	0.0%	0.0%
Cash	0.0 %	0.0 %
TOTAL	100.0 %	100.0 %

Draft approved by the Investments Committee on December 28, 2006

Addendum I-C

Asset Allocation for AACRAO Endowment Fund

As of December 28, 2006

<u>Asset Class</u>	<u>Strategic Allocation</u>	<u>Tactical Allocation</u>
Equities	74.0 %	74.0 %
Large Cap Value	20.0%	20.0%
Large Cap Growth	20.0%	20.0%
Small/Mid Cap Value	15.0%	15.0%
Small/Mid Cap Growth	0.0%	0.0%
International (Developed)	15.0%	15.0%
Emerging Markets	4.0%	4.0%
Fixed Income	22.0 %	22.0 %
Investment Grade	22.0%	22.0%
High Yield	0.0%	0.0%
International	0.0%	0.0%
Adjustable Rate Funds	0.0%	0.0%
Alternative Investments	4.0 %	4.0 %
Managed Futures	0.0%	0.0%
Hedge Fund of Funds	0.0%	0.0%
Real Assets/Natural Resources	4.0%	4.0%
TIPS	0.0%	0.0%
Real Estate/REIT's	0.0%	0.0%
Cash	0.0 %	0.0 %
TOTAL	100.0 %	100.0 %

Draft approved by the Investments Committee on December 28, 2006

American Association of Collegiate Registrars and Admissions Officers

Association Investment Policy

1. Board of Directors

- 1.1. Fiduciary Capacity – All funds of the American Association of Collegiate Registrars and Admissions Officers (“AACRAO”) are held by its Board of Directors (“Board”) as a fiduciary. Therefore, all restricted and unrestricted funds of the organization are held by the Association as a steward for the sake of carrying out AACRAO's mission and objectives. The following instructions are to be understood and employed with that sense of stewardship in mind.
- 1.2. Prudent Investor - The basic investment standards shall be those of a prudent investor as articulated in laws of the District of Columbia. This standard requires that the Board invest and manage AACRAO's funds as a prudent investor would, in light of the purposes, terms, distribution requirements, and other circumstances of the funds. This standard requires that the Board exercise reasonable care, skill, and caution, and is to be applied to investments not in isolation but in the context of the overall investment portfolio and as a part of an overall investment strategy, which should incorporate risk and return objectives reasonably suitable to the portfolio. In making and implementing investment decisions, the Board has a duty to diversify the investments of the portfolio unless, under the circumstances, it is prudent not to do so. In addition, Board members must conform to fundamental fiduciary duties of loyalty and impartiality; act with prudence in deciding whether and how to delegate authority and in the selection and supervision of agents; and, incur only costs that are reasonable in amount and appropriate to the investment responsibilities of those agents.
- 1.3. The Board of Directors will
 - 1.3.1. approve the selection, hiring, and termination of all outside financial advisors and other outside investment professionals; and
 - 1.3.2. establish investment guidelines and policies that direct the investment of the Association's portfolio including asset allocation, risk tolerance, and investment time horizon.
- 1.4. Conflicts of Interest – The Board will not invest AACRAO funds with any firm or in any vehicle that may monetarily benefit a member of the Board or the AACRAO staff as a result of the transaction.
- 1.5. Amendment – The Board reserves unto itself the exclusive right to amend or revise this policy.

2. Investments Committee

- 2.1. Purpose - The purpose of the Investments Committee is to assist the Board in reviewing investment policies, strategies, transactions, and the performance of the Association's investment portfolio(s).
- 2.2. Membership – The Investments Committee shall be composed of the President, the Past-President, the President-Elect, and the Vice President of Finance, who will serve as chair. The Executive Director will serve as ex-officio member.
- 2.3. Responsibilities – The Investments Committee shall
 - 2.3.1. supervise the overall implementation of AACRAO's investment policies by the Executive Director and outside investment professionals; and
 - 2.3.2. recommend the selection, hiring, and termination of all outside financial advisors and other outside investment professionals to the Board of Directors for its approval; and
 - 2.3.3. recommend the establishment of investment guidelines and policies to the Board of Directors for its approval; and
 - 2.3.4. review and evaluate the performance of the investment portfolio and financial advisors and other outside investment professionals at least once per fiscal year to assure adherence to policy guidelines, and monitor progress toward achieving investment objectives, and report the results of such reviews and evaluations to the Board; and
 - 2.3.5. provide overall supervision to the Executive Director to whom the Committee delegates specific duties related to AACRAO investments; and
 - 2.3.6. act in accord with this investment policy and all applicable laws and state and federal regulations that apply to nonprofit agencies including, but not limited to, the Uniform Prudent Investors Act of 1994 and the Uniform Management of Institutional Funds Act; and
 - 2.3.7. perform other duties as delegated by the Board from time to time.

3. Management

At the discretion of the Investments Committee, specific duties, tasks, and responsibilities related to the Association's investments may be assigned or delegated to the Executive Director from time to time, subject to the overall supervision of the Investments Committee.

4. Financial Advisors

- 4.1. Financial Advisor(s) - Relative to the perpetual life of AACRAO's long-term investment funds, service on the AACRAO Board or its Investments Committee is transitory. In addition, it is unlikely that a sufficient number of members of the Investments Committee will possess the technical expertise to manage directly the investment portfolio. For these reasons, the Investments Committee shall employ one or more financial advisors (investment advisors, investment managers, investment consultants, investment custodians, etc.) to manage AACRAO's investment funds rather than directly managing investments itself.
- 4.2. Investment Guidelines – While the financial advisors are responsible for day-to-day investment decisions on behalf of the Board, they will follow written guidelines that limit their actions to a range of investment activities approved by the Board (see section 7 below).
- 4.3. Responsibilities of Financial Advisors – Financial advisors shall
 - 4.3.1. consult with the Investment Committee and Executive Director on investment goals and strategic long-term direction of the Association; and
 - 4.3.2. recommend investment guidelines, asset allocation strategies, risk-based fund objectives, and appropriate investment management structures; and
 - 4.3.3. adhere to all investment guidelines established by the Board (see section 7 below); and
 - 4.3.4. select, monitor, and evaluate investment managers and/or investment entities; and
 - 4.3.5. provide and review quarterly and annual performance measurement reports and assist the Investments Committee in interpreting the results; and
 - 4.3.6. provide appropriate monthly reports to the Association's accounting staff; and
 - 4.3.7. review the portfolio and recommend actions, as needed, to maintain proper asset allocations and investment strategies for the objectives of each fund in light of the economic and market environments; and
 - 4.3.8. assist in an annual review of the Investment Policy; and
 - 4.3.9. execute such other duties as may be mutually agreed.

5. Operating Reserves

AACRAO will maintain sufficient operating reserves to ensure adequate cash for operations. These reserves shall be maintained in investment instruments according

to the approved Investment Guidelines (see section 7 below). The Executive Director is responsible for advanced planning that will ensure that the Association's cash flow requirements are met, and for notifying financial advisors and other money managers of anticipated distributions and liquidity requirements.

6. Long-Term Investment Funds

The Board maintains three long-term investment funds: an Infrastructure Fund, a Strategic Initiatives and Investment Fund, and an Unrestricted Endowment Fund. It is anticipated that the Association will spend only a limited amount from these funds in order to ensure their perpetual existence. Other unrestricted, temporarily restricted, or permanently restricted funds may be established by the Board from time to time.

6.1. Infrastructure Fund

- 6.1.1. Purpose - The purpose of the Infrastructure Fund is to fund expenses for equipment and hardware upgrades, software acquisition and development, office repairs and improvement, or similar infrastructure costs that are unexpected, and therefore unbudgeted, or that the Board considers imprudent to fund from operating revenues.
- 6.1.2. Distributions - Distributions from the Infrastructure Fund are made as needed and require the approval of the Board, which should review the need for distributions from the fund at least once per fiscal year. Distributions from the fund may not cause the fund to drop below its minimum balance.
- 6.1.3. Contributions – Contributions to the Infrastructure Fund must be approved by the Board and will normally comprise 25% of those net revenues and unrestricted gifts designated by the Board for investment. The Board should evaluate whether new contributions can be made to investment funds at least once per fiscal year. Contributions to the fund may not cause the fund to exceed its maximum balance.
- 6.1.4. Minimum/Maximum Balances - The fund should maintain a minimum value of \$100,000 and the maximum value of the fund should not exceed one-third of the then current fiscal year's budgeted expenditures. That is, if the current fiscal year budgeted expenditures are six million dollars, the value of the fund should not exceed two million dollars.
- 6.1.5. Co-Mingling of Investments – The Infrastructure Fund is to be invested separately from other investments (in one or more accounts) and may not be co-mingled with other investments.

6.2. Strategic Initiatives and Investments Fund

- 6.2.1. Purpose - The purpose of the Strategic Initiatives and Investments Fund is to provide a means for the Board to develop new programs or replace outdated ones, to expand the Association's interests and services, or to invest in new revenue-producing opportunities. Such programs, services, or investments should contribute directly or indirectly, in time, to the overall financial health of the Association. When used for programmatic development, this fund should not serve as a source of ongoing support for Association endeavors, but rather should provide seed money for services that would eventually need to be supported by current revenues or discontinued.
- 6.2.2. Distributions - Distributions from the Strategic Initiatives and Investments Fund are made as needed and require the approval of the Board, which should review the need for distributions from the fund at least once per fiscal year. Distributions from the fund may not cause the fund to drop below its minimum value.
- 6.2.3. Contributions – Contributions to the Strategic Initiatives and Investments Fund must be approved by the Board and will normally comprise 25% of those net revenues and unrestricted gifts designated by the Board for investment. The Board should evaluate whether new contributions can be made to investment funds at least once per fiscal year. Contributions to the fund may not cause the fund to exceed its maximum value.
- 6.2.4. Minimum/Maximum Value - The Strategic Initiatives and Investments Fund should maintain a minimum value of \$100,000 and the maximum value of the fund should not exceed one-third of the then current fiscal year's budgeted expenditures. That is, if the current fiscal year budgeted expenditures are six million dollars, the value of the fund should not exceed two million dollars.
- 6.2.5. Co-Mingling of Investments – The Strategic Initiatives and Investments Fund is to be invested separately from other investments (in one or more accounts) and may not be co-mingled with other investments.

6.3. AACRAO Endowment Fund

- 6.3.1. Purpose - The purpose of the Endowment Fund is to generate a permanent, steady stream of income (both restricted and unrestricted) for the Association.
- 6.3.2. Composition – The AACRAO Endowment Fund is comprised of a board-designated ("quasi") endowment fund and donor-restricted endowment funds that were given in order to generate operating revenues for the Association. While it is anticipated that the large majority of the AACRAO Endowment Fund will consist of

Adopted by the Board of Directors on January 9, 2007

board-designated ("quasi") endowment, donor-restricted funds such as the J. Douglas Connor Fund will also be part of the AACRAO Endowment Fund.

6.3.3. Distributions

6.3.3.1. Distribution Value - The AACRAO Endowment Fund shall annually distribute an amount less than or equal to five percent (5%) of the Fund's average value as calculated in section 6.3.3.2. This distribution value shall be computed annually. Thereafter, distributions shall be made quarterly in an amount equal to one-quarter (25%) of the calculated distribution value, which is less than or equal to one and one-quarter percent (1.25%) of the AACRAO Endowment Fund's average value. Distributions may be taken from principal or income. The distributions shall be made promptly following the close of each quarter. To the extent that it may legally do so, the Association shall interpret this policy as satisfying a gift provision that calls for retaining principal and distributing income.

6.3.3.2. Average Value – The average value of the AACRAO Endowment Fund is defined as the average of the fair market value of the fund as of the close of the preceding 12 calendar quarters. The Fund's market value shall be based upon all assets in the Fund including principal and retained income, adjusted for all gains and losses, whether realized or unrealized, and determined as of the last business day of the quarter.

6.3.3.3. Initial Distribution – The initial distribution from the AACRAO Endowment Fund shall not be made until the fiscal year following the fiscal year in which the AACRAO Endowment Fund's average value as calculated in section 6.3.3.2 reaches ten million dollar (\$10,000,000).

6.3.4. Contributions – Contributions to the AACRAO Endowment Fund must be approved by the Board and will normally comprise 50% of those net revenues and unrestricted gifts designated by the Board for investment as well as donor-restricted funds that were given in order to generate operating revenue for the Association. The Board should evaluate whether new contributions can be made to investment funds at least once per fiscal year.

6.3.5. Minimum/Maximum Value - The AACRAO Endowment Fund should maintain a minimum value of one million dollar (\$1,000,000). There is no maximum value for the fund.

Adopted by the Board of Directors on January 9, 2007

- 6.3.6. Co-Mingling of Investments – The AACRAO Endowment Fund is to be invested separately of other investments (in one or more accounts) and may not be co-mingled with other investments.

7. Guidelines for Financial Advisors

- 7.1. Investment Purpose - The investment purpose of the long-term investment funds is to provide financial stability and operating revenue in support of the Association mission. Income and gains from all these funds, in addition to spending guidelines of each fund as listed above, may be spent to support the prescribed functions of the respective fund.
- 7.2. Investment Objectives - The primary investment objective of the long-term investment funds is to achieve positive absolute return in a 3-5 year period. For the AACRAO Endowment Fund, this shall be defined as at least 5% + CPI net of fees. For both the Strategic Initiatives and Investments Fund and the Infrastructure Fund, this shall be defined as at least 4% + CPI net of fees. The expectation of the funds is to meet or exceed the rate of return of its own custom index measured over a 3-5 year period.
- 7.3. Investment Objective - The objective of the account is to pursue a long-term goal designed to maximize the returns without exposure to undue risk, as defined herein. Whereas it is understood that fluctuating rates of return are characteristic of the securities markets, the greatest concern is long-term appreciation of the assets and consistency of total portfolio return. Objectives will be measured by results achieved over a three-year rolling period.
- 7.4. Risk, Volatility and Loss - AACRAO recognizes that risk (i.e. the uncertainty of future events), volatility (i.e. the potential for variability of asset values), and the potential loss in purchasing power due to inflation are present to some degree with all types of investment vehicles. The assumption of a level of risk that is commensurate with AACRAO's objectives is warranted in order to allow the investment portfolio the opportunity to achieve satisfactory results consistent with its objectives and characteristics. AACRAO will accept the exhibition of portfolio volatility characteristics that approximate the appropriate index as outlined below in section 7.13 below. Nonetheless, it is AACRAO's preference that the maximum losses incurred by the portfolio in any one year not exceed that of the comparative index. The financial advisor(s) should take actions to minimize losses.
- 7.5. Asset Allocation – Each of the long-term investment funds will have its own specific asset allocation in order to serve its purpose effectively. The specific asset allocation for each long-term investment fund is listed in Addendum I, A-C. From time to time and with the advice of the financial advisor(s), the Investments Committee may amend the asset allocations in Addendum I, A-C. However, the mix of assets in any of the long-term investment funds should fall within the following tactical ranges:
- 7.5.1. Cash - 0-20%
- 7.5.2. Equities – 30-85%

Adopted by the Board of Directors on January 9, 2007

- 7.5.2.1. Large Cap Value – 2-30%
- 7.5.2.2. Large Cap Growth – 2-30%
- 7.5.2.3. Small/Mid Cap Value – 0-20%
- 7.5.2.4. Small/Mid Cap Growth – 0-20%
- 7.5.2.5. International (Developed) – 2-30%
- 7.5.2.6. Emerging Markets – 0-20%
- 7.5.3. Fixed Income – 15-70%
 - 7.5.3.1. Fixed Income (International) – 0-10%
 - 7.5.3.2. Investment Grade (Domestic) – 15-70%
- 7.5.4. Alternative Investments – 0-30%

During the first 18-24 months after changing portfolio advisors or during drastic economic periods (as determined by the Investments Committee), portfolio allocations may be gradually brought to tactical allocations as listed above. Therefore, allocations for any asset class may deviate significantly from the tactical ranges above during such periods, and will not be considered a violation of this investment policy.

- 7.6. Rebalancing Procedures - It is understood that market movements and tactical adjustments may cause the actual allocation of assets to vary from the tactical allocations listed in Addendum I, A-C or future revisions of that Addendum. Therefore, it will be necessary to rebalance the portfolios to those tactical allocations periodically. The tactical ranges set forth in 7.5 are thresholds that should be reviewed quarterly by AACRAO after receipt of quarterly investment reports from the financial advisor(s), who will regularly monitor the portfolio for any variations from tactical allocations. The following discipline will be followed for rebalancing:

- 7.6.1. If the actual allocation in any of the four major asset classes (Equities, Fixed Income, Alternatives and Cash) varies from the tactical allocation by at least 5% in absolute terms, it will call for an immediate rebalancing of the portfolio back to the tactical amounts. The financial advisor(s) will provide information regarding such variations as quickly as is practically feasible to the Executive Director or any other authorized signatory and obtain verbal authorization to implement the necessary rebalancing of the portfolio to the tactical allocation.
- 7.6.2. Once the initial transition into the tactical asset allocation is complete, the portfolio will be evaluated at the end of every calendar quarter and any variations of 5% or greater, in absolute terms, will generate a rebalancing recommendation. The Executive Director will approve the rebalancing recommendations.

Adopted by the Board of Directors on January 9, 2007

7.6.3. If possible, new cash flows should be used for rebalancing. If new cash is not available, current investments should be bought and sold to achieve the tactical asset allocation.

7.7. Diversification, Marketability, Yield and Quality Consideration - Seeking to establish a diversified program of investments, assets shall be invested under the management of one or more registered investment advisors in alternative investments, index-linked exchange traded funds (ETF) in portfolios of U.S. domestic equities, domestic fixed income, and international equities. Investment vehicles and amounts allocated to each vehicle may change after a thorough review of the capital markets.

The types of stocks and market capitalization of the companies purchased for the portfolio are within the discretion of the financial advisor(s). The financial advisor(s) is expressly permitted to invest in small, medium and large capitalization stocks.

7.8. Equity Portfolio

7.8.1. Equity holding in any one company in each investment advisor's portfolio may not exceed 5% of portfolio at cost or 10% of account value.

7.8.2. Equity holding in non-U.S. investments, including emerging markets, may not exceed 45% of the market value of the portfolio.

7.8.3. Equity securities shall in general possess value and quality corroborated by accepted techniques and standards of fundamental and technical analysis.

7.9. Fixed Income Portfolio

7.9.1. Investments in bonds should be actively managed. Active management is meant to include shifting sector emphasis as well as effecting other prudent strategies that enhance the portfolio or decrease the volatility or exposure to capital depreciation. However, the weighted average maturity of the portfolio must be 10 years or less with a maximum of 30 years for individual securities.

7.9.2. The diversification of fixed income securities by maturity, sector, and geography is the responsibility of the financial advisor(s), with final approval provided by the Investments Committee.

7.9.3. Fixed income securities shall be marketable, intermediate-term maturity securities with an average portfolio rating of no less than "A" as rated by Standard and Poors or Moody's. The following instruments are acceptable:

7.9.3.1. Commercial paper or variable rate notes of P-1 or equivalent rating.

Adopted by the Board of Directors on January 9, 2007

- 7.9.3.2. Certificates of deposit and bankers acceptances (A-rated or above).
 - 7.9.3.3. United States Treasury bonds, notes, and bills.
 - 7.9.3.4. Repurchase agreements with U.S. Treasury securities and agencies of the U.S. Government as collateral.
 - 7.9.3.5. Debt instruments of the U.S. Government or its agencies.
 - 7.9.3.6. Corporate debt issues with an investment grade rating from a major bond-rating agency such as Moody's or Standard and Poors (BBB-rated or higher).
- 7.9.4. Standard and Poors or Moody's must rate bonds as "BBB" or higher to be purchased for the portfolio. Bonds that are split rated will, for the purposes of this portfolio, be considered investment grade and thus eligible for purchase. Split rated bonds are defined as bonds that have an investment grade rating with Standard and Poors and a non-investment grade rating with Moody's or vice versa.
- 7.9.5. The portfolio's fixed income exposure to any specific industry group may not exceed 20% of the market value of the portfolio.
- 7.9.6. The fixed income holding of a single issuer may not exceed 10% of the market value of the portfolio.
- 7.9.7. The portfolio diversification requirements do not pertain to investments in debt securities issued by the U.S. Government or its fully guaranteed agencies.
- 7.10. Alternative Investments Portfolio
 - 7.10.1. A range of alternative investments may be considered prudent to be included in the overall asset allocation with the objective of creating favorable risk-reward characteristics for the overall portfolio. These alternative investments may include private equity, managed futures (limited partnerships), hedge funds, inflation-indexed securities, real assets/natural resources, real estate or REITS, and commodities.
 - 7.10.2. The tactical allocation for such alternative investments may range from 0%-30% of the total market value of the portfolio. This allocation is limited due to the high risk, long-term, illiquid nature of such commitments.
 - 7.10.3. AACRAO recognizes that while such alternative investments may carry a higher degree of risk if considered on their own, they may potentially reduce total portfolio risk and enhance total portfolio

Adopted by the Board of Directors on January 9, 2007

return since they may be uncorrelated to other asset classes in the portfolio mix.

- 7.11. Cash Equivalents Portfolio - While it is desirable that the financial advisor(s) use interest-bearing money market funds and other cash equivalent securities with a maturity of one year or less, AACRAO understands that attractive opportunities might arise with securities with longer maturities from time to time. The financial advisor(s) is permitted to invest in such securities.
- 7.12. The financial advisor(s) shall not purchase assets other than those expressly allowed in this statement without the written consent of AACRAO. The following are prohibited (except if executed in Alternative Investments portion of the portfolio).
 - 7.12.1. purchase of securities on margin
 - 7.12.2. options of all types
 - 7.12.3. letter stock
 - 7.12.4. private placements
 - 7.12.5. securities whose issuers have filed a petition for bankruptcy
 - 7.12.6. short sales
 - 7.12.7. specific industries or sectors as set forth by AACRAO Investments Committee or a designated sub-Committee
 - 7.12.8. tax exempt securities
 - 7.12.9. warrants
 - 7.12.10. foreign stocks (with the exception of American Depositary Receipts for the International allocation) unless the international investment advisor(s) deems such exposure appropriate and suitable.
- 7.13. Fund Performance Benchmarks
 - 7.13.1. Domestic equities should achieve a rate of return that equals or exceeds the relevant and recognized market index for the investment style as follows:
 - 7.13.1.1. Large Cap Growth - Russell 1000 Growth or Barra Growth or S&P 500 for Large Cap Core or comparable index
 - 7.13.1.2. Large Cap Value - Russell 1000 Value or Barra Value or comparable index

Adopted by the Board of Directors on January 9, 2007

- 7.13.1.3. Mid Cap Growth- Russell Mid Cap Growth or comparable index
 - 7.13.1.4. Mid Cap Value - Russell Mid Cap Value or comparable index
 - 7.13.1.5. Small Cap Growth - Russell 2000 Growth or comparable index
 - 7.13.1.6. Small Cap Value - Russell 2000 Value or comparable index
 - 7.13.2. International equities should achieve a rate of return that equals or exceeds the MSCI EAFE Index or MSCI World Index, as appropriate and relevant.
 - 7.13.3. Emerging market equities should achieve a rate of return that equals or exceeds the MSCI Emerging Markets Free Index.
 - 7.13.4. Domestic fixed income should earn an average annual return from income and capital appreciation that equals or exceeds the Lehman Brothers Government/Corporate Intermediate Bond Index or CITI 1-5 Year Government/Corporate Index.
 - 7.13.5. Alternative investments should achieve a rate of return that meets or exceeds a relevant benchmark based on the choice of alternative investments placed in the portfolio.
 - 7.13.6. In addition, we would expect the investment to perform comparably with other investments in similar categories. The custom index is defined as a mix of relevant indices in the same proportion as the strategic allocation of each asset class in the portfolio. For example, a 10% allocation to the large cap value investment manager will require that the custom index include 10% of Russell 1000 Value or another appropriate index in the mix. This target of return would be accomplished through long-term capital appreciation, principal preservation, and achievement of returns consistent with each category of investment.
- 7.14. Review and Reporting
- 7.14.1. Annual Review - The Investments Committee will review, on an annual basis, written evaluations of the net-of-fee performance against the investment policies and benchmarks set forth above. The evaluation shall include a report of performance for each investment manager for past periods including the last quarter, last twelve months, last three years, and period since inception (both absolute and relative to appropriate indices). Returns shall be annualized and calculated on a time-weighted basis for the total portfolio. All returns should include income and dividends.

Adopted by the Board of Directors on January 9, 2007

- 7.14.2. The financial advisor(s) will provide a quarterly performance summary and a detailed quarterly evaluation of the four funds to the Investments Committee.
- 7.14.3. The Investments Committee or its designee(s) shall meet with the financial advisor(s) at least semi-annually or as requested to review fund investments and the current investment environment. At such meetings, the written and oral presentations shall cover the following:
 - 7.14.3.1. The quarterly performance and asset allocation report described above, and an annual fee disclosure and a portfolio cross-check against the investment policy guidelines; and
 - 7.14.3.2. Discussion of the rationale for performance results by relating them specifically to investment strategy and tactical decisions implemented during the current review period; and
 - 7.14.3.3. Discussion of the financial advisor's specific strategy for the portfolio over the next period with specific reference to asset allocation and portfolio characteristics, as appropriate; and
 - 7.14.3.4. Supporting discussion of the next period's strategy with reference to financial advisor's capital market and economic assumptions, as appropriate; and
 - 7.14.3.5. Discussion of AACRAO's needs, goals, and objectives, if different from previous quarter.
- 7.15. Changes to Investment Guidelines – The Board reserves the right to make any changes to these guidelines as deemed necessary. All such changes will be made in writing and financial advisor(s) will be duly informed.

Amended by the Board of Directors on January 9, 2007.

Addendum I-A

Asset Allocation for AACRAO Infrastructure Fund

As of January 9, 2007

<u>Asset Class</u>	<u>Strategic Allocation</u>	<u>Tactical Allocation</u>
Equities	55.0 %	55.0 %
Large Cap Value	10.0%	10.0%
Large Cap Growth	20.0%	20.0%
Small/Mid Cap Value	10.0%	10.0%
Small/Mid Cap Growth	0.0%	0.0%
International (Developed)	15.0%	15.0%
Emerging Markets	0.0%	0.0%
Fixed Income	40.0 %	40.0 %
Investment Grade	40.0%	40.0%
High Yield	0.0%	0.0%
International	0.0%	0.0%
Adjustable Rate Funds	0.0%	0.0%
Alternative Investments	5.0 %	5.0 %
Managed Futures	0.0%	0.0%
Hedge Fund of Funds	0.0%	0.0%
Real Assets/Natural Resources	5.0%	5.0%
TIPS	0.0%	0.0%
Real Estate/REIT's	0.0%	0.0%
Cash	0.0 %	0.0 %
TOTAL	100.0 %	100.0 %

Addendum I-B

Asset Allocation for AACRAO Strategic Initiatives and Investments Fund

As of January 9, 2007

<u>Asset Class</u>	<u>Strategic Allocation</u>	<u>Tactical Allocation</u>
Equities	56.0 %	56.0 %
Large Cap Value	12.0%	12.0%
Large Cap Growth	17.0%	17.0%
Small/Mid Cap Value	12.0%	12.0%
Small/Mid Cap Growth	0.0%	0.0%
International (Developed)	15.0%	15.0%
Emerging Markets	0.0%	0.0%
Fixed Income	40.0 %	40.0 %
Investment Grade	40.0%	40.0%
High Yield	0.0%	0.0%
International	0.0%	0.0%
Adjustable Rate Funds	0.0%	0.0%
Alternative Investments	4.0 %	4.0 %
Managed Futures	0.0%	0.0%
Hedge Fund of Funds	0.0%	0.0%
Real Assets/Natural Resources	4.0%	4.0%
TIPS	0.0%	0.0%
Real Estate/REIT's	0.0%	0.0%
Cash	0.0 %	0.0 %
TOTAL	100.0 %	100.0 %

Adopted by the Board of Directors on January 9, 2007

Addendum I-C

Asset Allocation for AACRAO Endowment Fund

As of January 9, 2007

<u>Asset Class</u>	<u>Strategic Allocation</u>	<u>Tactical Allocation</u>
Equities	74.0 %	74.0 %
Large Cap Value	20.0%	20.0%
Large Cap Growth	20.0%	20.0%
Small/Mid Cap Value	15.0%	15.0%
Small/Mid Cap Growth	0.0%	0.0%
International (Developed)	15.0%	15.0%
Emerging Markets	4.0%	4.0%
Fixed Income	22.0 %	22.0 %
Investment Grade	22.0%	22.0%
High Yield	0.0%	0.0%
International	0.0%	0.0%
Adjustable Rate Funds	0.0%	0.0%
Alternative Investments	4.0 %	4.0 %
Managed Futures	0.0%	0.0%
Hedge Fund of Funds	0.0%	0.0%
Real Assets/Natural Resources	4.0%	4.0%
TIPS	0.0%	0.0%
Real Estate/REIT's	0.0%	0.0%
Cash	0.0 %	0.0 %
TOTAL	100.0 %	100.0 %

Adopted by the Board of Directors on January 9, 2007