THE GREATER KANAWHA VALLEY FOUNDATION

Statement of Investment and Spending Policies

Approved December 12, 1996
Amended December 13, 2000
Amended September 18, 2002
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Amended June 15, 2004
Amended September 14, 2005
Amended June 21, 2006
Amended September 13, 2006

I. Objectives

The Foundation's primary objective is to preserve the real (after inflation) value of its current and subsequently acquired assets.

A second objective, subject only to the first, is to provide the maximum flow of funds for grant making, operating expenses and fees (including investment management fees). The flow of funds should be reasonably predictable and rise at least as rapidly as inflation.

Success in meeting these objectives will depend on the Foundation achieving the highest possible total rate of return on its investments consistent with reasonable prudence with respect to volatility and safety of principal. The Foundation's assets are viewed with disciplined, longer-term investment objectives and strategies that will accommodate relevant, reasonable, and probable events.

In order to guide its investments and accounting practices, the Foundation has established Investment and Spending Policies, which it will review periodically in consultation with its investment managers (trustee banks and other managers).

II. Investment Policies

A. Diversification of Investments

In recognition of the benefits of diversification, the Foundation has established an investment structure with diversification in mind. Experience has shown financial markets and inflation rates are cyclical and, therefore, control of volatility will be achieved through diversification of asset classes and selection of managers of diverse style.

B. Allocation of Assets

Approved asset classes and policy target ranges are detailed in Schedule A included as a part of this policy.

The Foundation's assets are to be structured for long-term growth with a broadly diversified mix of asset classes and styles. The international equity is intended to reduce volatility of the total portfolio and the Foundation's reliance on domestic financial markets. International equity relates to those companies domiciled outside of the US. We recognize that US domiciled companies may have substantial business outside the US in addition to the International equity. The real assets segment is intended to provide the portfolio with a diversified hedge against inflation as well as long term real asset growth. Managers may, to a limited extent, invest opportunistically in emerging market equities and global fixed income to further enhance the diversification of the Fund.

The target for the actual asset mix will be reviewed by the Foundation's Investment Committee annually, or more frequently as necessary. As part of this process, a rebalancing procedure within the policy framework of the adopted asset allocation model has been established. More specifically, the quarterly review guideline will be:

> Changes in the allocation to the asset class segments or subsegments may be made at any time the quarterly weighting is outside the established weight range as defined on the asset allocation model.

The Committee will review the segment asset allocations quarterly and any changes in the allocations will be made after the review. In the case of major market movements resulting in variations as provided above, rebalancing of the segment allocations may be made prior to the quarterly review.

III. Investment Management

Investment managers will be appointed following a systematic search for those with demonstrated quality in the style desired. To optimize access to such managers, while minimizing management fees and transaction costs assessed to the Foundation, no-load mutual funds and pooled funds may be considered together with separate account management.

Managers are given discretion to manage funds entrusted in accordance with the style for which they are employed provided they comply with the restrictions and limitations as may be determined from time to time.

IV. Evaluation of Managers

A. Performance Objectives for Active Management

1. Equity managers/fund(s) will be expected to achieve an annualized total rate of return over a three- to five-year period which exceeds an appropriate market index rate of return by 1.5 percentage points compounded annually, net of costs and fees. Total return is defined as dividend or interest income plus realized and unrealized capital appreciation or depreciation at fair market value. Fixed income managers will be expected to exceed appropriate market indices by 0.75 percentage points, net of costs and fees. Directional hedge fund managers will be benchmarked against the Russell 3000 and will be expected to, net of all fees and expenses, outperform the benchmark by 1.5% with less volatility over a full market cycle. Absolute return strategies are expected to provide returns in line with the 30-Day Treasury Bill plus 5% with volatility similar to the LB Aggregate. In cases, where managers of funds employ a combination of the strategies, a blended benchmark will be created to measure performance.

2. The managers/fund(s) will also be expected to consistently achieve a total rate of return which is equal to or above the median return in a universe of peers with comparable investment styles or portfolio objectives.

B. Investment Style

The managers/fund(s) will maintain a portfolio for the Foundation characterized by their respective traditional management styles and, if a change in such style is contemplated, the manager is required to make advance written notification to the Foundation's Investment Committee.

C. Change in Objectives or Asset Allocation

A change in objectives or asset allocation strategy may require that funds be transferred between asset classes, to new asset classes, or among styles within asset classes. These changes may result in increases, decreased or elimination of funds under management by a specific manager.

V. Performance Measurement

Measuring manager progress against policy objectives and for consistency in measuring performance against the total return objectives, performance will be reflected net of management fees and transaction costs. When calculating returns for the quarterly reports utilized for management purposes, returns will be stated before fees.

VI. Investment Consultant

The Foundation may retain the services of an independent investment consultant for the purpose of assisting the Foundation's Investment Committee in developing and then attaining the objectives of the Foundation. The consultant will assist in establishing objectives offering alternative models of asset allocation, identifying appropriate managers or funds, producing timely quarterly reports that monitor performance of individual managers against similar managers as well as performance of the entire Fund against its objectives and against other appropriate indices. The consultant will also provide consultation on revisions and modifications as appropriate.

VII. Communication and Reporting

Where a Fund is separately managed, the manager is responsible for free and open communication with the Investment Committee in all significant matters pertaining to investment policies and management of Foundation assets, including, but not limited to: (i) Major changes in the investment policies and manager's investment outlook, investment strategy and portfolio structure; (ii) Any significant changes in the ownership, organizational structure, financial condition or senior personnel staffing of the investment manager's organization; and (iii) quarterly transactions, evaluation and performance reports.

Quarterly evaluations of assets under management shall be supplied by the investment managers, in the form as may be requested by the Investment Committee and to include market valuations, industry segmentations, transaction registers, cash statements, and similar reports.

At reasonable times and at the direction of the Investment Committee, meetings shall be held with the manager(s) to discuss performance results, economic outlook, organizational changes and other pertinent matters. All documents, exhibits and other written material to be used during such conferences shall be submitted by the investment manager(s) at least five business days in advance of all conferences.

All materials required of the manager(s) and custodian shall also be provided to the consultants. In addition, the manager(s) and the custodian shall provide evidence of liability and fiduciary insurance and have its employees bonded unless otherwise exempted by law or government regulation.

VIII. Conflict of Interest

It is the policy of the Investment Committee to avoid conflicts of interest in its operations and in the selection of investment managers or funds. No independent investment consultant retained by the Foundation, or any entity, in which such consultant may have an interest in, may be selected as the investment manager providing services to the Foundation or any fund in which the Foundation has an investment.

IX. Implementation

All monies received by investment manager(s) after the adoption of this Statement of Policies shall conform to the Statement.

X. Spending Policy

Subject to the terms of any Fund agreement, the Declaration of Trust and/or West Virginia law, the amount that the Foundation makes available for grants from each Fund will be calculated by multiplying a Percentage by a Base.

The Base for grant distribution will be the twenty-quarter moving average of the market value of each Fund's total market value. The Foundation recognizes that certain circumstances may call for a different Base to be used. In such instances, the President of the Foundation, after consultation with the Investment Committee, may adjust the period of time used for the Base.

This computation will be made at the beginning of each fiscal year to include the last 20 quarters, estimating the last quarter, if necessary.

Should the total market value of any fund fall below the initial corpus plus additional contributions to the corpus, no distributions will be made unless authorized by the fund agreement or the Board of Trustees as permitted by law.

The determination of the Percentage factor for grant distribution will be reviewed periodically in the light of evolving trends with respect to investment returns and the rate of inflation, and adjustments will be made when it is considered appropriate. It is the Foundation's present judgment that an annual percentage factor of 5% and should be applied beginning January 1, 1997.

The administrative fee for the Foundation's operating expenses will be calculated each year by multiplying 1% by a Base. The Base for the administrative fee will be the Foundation's total market value on 9/30 of each year.

The Foundation recognizes that extremely unusual circumstances with respect either to financial markets or to the needs of the communities it serves may, in rare instances, require temporary departures from the strict application of these Investment and/or Spending Policies.

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SCHEDULE A

Approved asset classes and policy target ranges as of June 21, 2006 are as follows:

Asset Segment	Target %	Range %	Index Benchmark
Total Equity	**58.0**	**48.0%-68.0%**	**Russell 3000**
US Core Equity	25.5%	20.5%-30.5%	S&P 500 Index
US Mid/Small Growth Equity	5.0%	2.5%-7.5%	Russell Mid Cap Growth
US Mid/Small Value Equity	5.0%	2.5%-7.5%	Russell Mid Cap Value
International Core Equity	22.5%	15.0%-30.0%	MSCI EAFE
Alternatives	**15.0%**	**10.0%-20.0%**	**HFRI FOF Conserative/HFRI FOF Strategic**
Total Fixed Income	**15.0%**	**10.0%-20.0%**	**LB Aggregate**
Real Assets	**10.0%**	**5.0%-15.0%**	**Custom Real Asset Index**
Cash Equivalents	**2.0%**	**1.0%-3%**	**CG 30 Day T-Bill**