

BIRMINGHAM BAR FOUNDATION STATEMENT OF INVESTMENT POLICY

This policy applies to investments of the Birmingham Bar Foundation of its own funds. The policy is adopted by the Board of Directors of the Birmingham Bar Foundation, and may be waived or amended from time to time by the Board in its sole discretion.

Within its own funds and within its own books of account, the Foundation may hold, segregate or show fund balances that the Foundation has established from time to time for its own internal accounting purposes. All such funds, however denominated, are solely the property of the Foundation, and are not the property of any person or entity related to the fund's designation. Sole control over the ownership, disposition, use and investment of such funds shall at all times remain exclusively with the Foundation and within its sole discretion.

The largest investment of the Birmingham Bar Foundation is in the real estate and building housing the Birmingham Bar Association. This policy does not apply to that investment.

Objectives

Objective 1: Provide a policy for short-term investment of cash that is likely to be paid out in grants during the current year. The objective shall be to invest funds at extremely low risk, such as bank certificates of deposit, savings accounts, or money market funds, while achieving a reasonable short-term yield.

Objective 2: To provide for an investment policy suitable for the future growth of the Foundation as it transitions from its principal investment being the Birmingham Bar Building to investments that are more liquid, such as equity and fixed income investments. This policy is designed to allow the longer term investments of the Foundation to be invested in such a manner as to maximize the return on the investment, consistent with an appropriate level of risk and subject to the generation of adequate current income. Additionally, this investment fund shall be diversified at all times to provide reasonable assurance that investment in a single security, a class of securities, or industry will not have an excessive impact on the Foundation.

Short-term Investments

The Executive Director of the Foundation will make a recommendations to the Board of Directors for selection of a local financial institution or broker at which the Foundation will maintain an interest bearing account or purchase certificates of deposit.

Long-term Investments

Asset Mix

Asset mix is the primary determinant of the Foundation's Portfolio performance. Asset mix may be changed from time to time based on the economic and security market outlook as

well as income requirements. The overall risk level of the assets, in terms of potential for price fluctuation, should not be extreme. The primary means for achieving such a risk profile are:

- a balanced diversification between equity and fixed income investments;
- careful control of the risk level within each asset class, through avoidance of over concentration and by not taking extreme positions against the market averages;
- a degree of emphasis on stable growth, rather than capital gains.

The return objective of the Fund should be primarily long-term in nature and focused upon maintaining asset growth above the rate of inflation. In the shorter term, attention to preservation of nominal capital value is also required.

In establishing asset mix, recognition of the role of various classes of investments will be considered. These include:

- The principal purpose of fixed income investments is to provide a dependable and predictable source of income.
- Equity investments provide both current income and growth of income, but their principal purpose is to provide appreciation of the Portfolio.
- Cash equivalent-short term investments provide current income, but their principal purpose is to store purchasing power to fund longer term investments.

To pursue the foregoing return objectives at an acceptable risk level, the asset allocation shall be within the assigned ranges.

Percentage of Fund at Market Values

Range

<u>Asset Class</u>	<u>Normal</u>	<u>Minimum</u>	<u>Maximum</u>
Equities	60%	35%	60%
Fixed Income Securities	40%	30%	60%
Cash Equivalents	0%	0%	25%

Investment Restrictions

The Portfolio must be invested at all times in strict compliance with applicable law. All investment decisions shall be made in accordance with the “Prudent Person Rule”.

Investment restrictions include the following and shall be strictly adhered to unless waived by the Board of Directors:

- All investments must be U.S. Dollar denominated.
- Commercial paper must be rated in the two highest quality classes by Moody's Investor's Service, Inc. (P1 or P2) or Standard & Poor's Corporation (A1 or A2).
- Negotiable certificates of deposit shall be limited in principal amount to FDIC or FSLIC insurance ceilings (currently \$100,000). C.D. programs which spread liability up to FDIC limits within a single bank holding company are permissible.
- Money market mutual funds must have a rating by Standard & Poor's Corporation of AAA MG for funds holding at least 85% U.S. government securities and AAA M or AAA F for all others, and additionally the underlying investments must be eligible under this Policy.
- Preferred stocks must be rated a minimum of A3 or A- by Moody's Investor's Service, Inc., or Standard & Poor's Corporation, respectively at time of purchase.
- Not more than 5% of the voting securities of a corporation may be owned.
- No securities may be purchased on margin or leverage.
- No transactions in short sale will be made.
- Transactions in financial futures and options other than sales of covered stock options are prohibited.
- No more than 25% of the portfolio shall be invested in any one industry at cost.

Investment Authority

Subject to the provisions of this investment policy, the Board authorizes the Finance Committee, with the assistance of the Executive Director, to invest all funds as may be held by the Foundation from time to time.

Except for the guidance, authority, and limitations with respect to the investment of funds as herein provided, it is understood and acknowledged that neither the Board, the Finance Committee, nor the Executive Director should reserve control over investment decisions made

by investment managers employed, from time to time, by the Foundation. As such, investment managers to employed shall be responsible, and/or held accountable, for results achieved on the investment of funds held by the Foundation. Investment managers are therefore encouraged to request modifications to this investment policy as they may deem necessary and/or appropriate under the circumstances.

Review and Communication

The Board, or its designee, shall review no less than annually the:

- investment results achieved in relation to stated investment objectives and other applicable comparisons;
- methods used to achieve investment results;
- future investment strategies considering past, present, and prospective economic and financial market climates;
- adherence to, and compliance with, this investment policy and other guidelines and may be adopted by the Board.