



Statement of Investment Policy

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I. Introduction

This Statement of Investment Policy sets forth United Church Funds' program for investing its own assets and assets it holds as agent and/or trustee for other UCC related entities and individuals. It will be reviewed periodically by the Investment Committee and revised as necessary to ensure that the policies remain consistent with the objectives of United Church Funds' program. At least once every two years the Investment Committee will review the Statement of Investment Policy in its entirety.

The Statement describes:

- The basic purpose of United Church Funds.
- The responsibilities of Investment Fiduciaries.
- The structure of the investment program maintained by United Church Funds.
- The basic objectives and policies of United Church Funds' Funds.
- The guidelines which have been established for each of the Funds managed by United Church Funds.
- The process to be followed in reviewing and evaluating United Church Funds' investment program.
- Policies on additional investment and related issues.

II. Mission of United Church Funds

The mission of United Church Funds is to advance the religious, charitable, educational and other interests of the United Church of Christ and its affiliated instrumentalities. To that end, United Church Funds accepts cash and other assets from qualified investors, invests these assets in one or more of the commingled Funds established by United Church Funds and pays out income and/or principal as appropriate. A qualified participant is any tax exempt congregation, association, conference, instrumentality or other institution affiliated with the United Church of Christ, or any trust, gift annuity fund or pooled income fund established in whole or in part for the benefit of a UCC-related entity.

III. Responsibilities of Investment Fiduciaries

The Board of Directors, the Investment Committee, the President of United Church Funds, the Chief Investment Officer, investment consultants and investment managers are investment fiduciaries of United Church Funds' investment program and have responsibilities with respect to invested assets.

THE BOARD OF DIRECTORS

The Board of Directors is responsible for ensuring that all investments of United Church Funds are managed effectively and in full compliance with all applicable laws and standards of prudence. Changes in the Funds included in United Church Funds' investment program, and in the objectives of each Fund, must be approved by the Board of Directors of United Church Funds with notice of any such change being appropriately communicated to investors in the Fund. The Board of Directors of United Church Funds authorizes the Investment Committee to supervise the investment program of United Church Funds. The Investment Committee reports to the Board of Directors on its activities at its regularly scheduled meetings, and at such other times as requested by the Board.

THE INVESTMENT COMMITTEE

The Investment Committee is responsible for supervising United Church Funds' investment program. It may delegate authority to manage United Church Funds' investment program to a Chief Investment Officer. The Investment Committee formulates investment objectives and policies, approves asset classes to be included in the investment program, establishes ranges for each asset class, establishes investment guidelines and approves exceptions to those guidelines, monitors investment performance, retains and dismisses investment managers and reports to the Board of Directors on its activities at regularly scheduled meetings and at such other times requested by the Board. The Committee fulfills these responsibilities with respect to all Funds maintained by United Church Funds. The Investment Committee also establishes Policies and guidelines for Voting proxies. These guidelines are in Appendix E.

THE PRESIDENT

The President of United Church Funds is a voting member of the Investment Committee and participates in the Committee's decision making process. The President is responsible for the oversight of all investment activity and coordinating with the Chief Investment Officer to ensure that the objectives of the investment program and the proper execution of investment activities are being met.

THE CHIEF INVESTMENT OFFICER

The Chief Investment Officer is responsible for managing the investment program of United Church Funds. The Chief Investment Officer may work with investment consultants in performing the responsibilities delegated by the Investment Committee. The Chief Investment Officer reports to the Investment Committee at its regularly scheduled meetings and at such other times as requested by the Committee. The Chief Investment Officer makes recommendations to the Investment Committee on the structure of United Church Funds' investment program, the assets classes to be used in the program, investment policies, objectives and guidelines and the retention and dismissal of investment managers and investment consultants. The Chief Investment Officer also provides the Investment Committee with reports on adherence to policies and guidelines by investment managers and investment performance, oversees investment managers, allocates assets between asset classes and sub-classes, and between investment managers within policies established by the Investment Committee and works with investment consultants on behalf of the Investment Committee.

INVESTMENT MANAGERS

Each investment manager as a fiduciary is primarily responsible for its actions, through the Investment Committee and the Board of Directors and to United Church Funds' investors. Each manager is responsible for managing the assets entrusted to them effectively, in accordance with all applicable laws and standards of prudence, in full compliance with United Church Funds' policies and guidelines and in conformity with the investment style for which they were retained. Within the context of their fiduciary responsibility, each investment manager is expected to be sensitive to the Church and the investors United Church Funds serves. Investment managers manage the assets for which they are responsible in accordance with the objectives and in compliance with the guidelines established, exercise investment discretion within the objectives outlined in the Statement of Investment Policy and established guidelines, inform the Investment Committee of all organizational developments which could materially affect the management of the firm or the firm's investment process, initiate written communication with the Investment Committee if the manager believes that deviation from the guidelines would be in the best interest of United Church Funds' investors and furnish the investment committee with the reports listed in Appendix D of this Statement of Investment Policy.

INVESTMENT CONSULTANTS

Investment consultants retained by the Investment Committee are responsible for providing advice and counsel to the Investment Committee and to the Chief Investment Officer on issues identified by the Investment Committee. Investment consultants work closely with the Chief Investment Officer, participate in Investment Committee meetings and provide the Committee and/or Chief Investment Officer with written reports on specific issues. Investment consultants provide advice and counsel on the structure of United Church Funds' investment program, asset classes to be included in the program, investment policies, objectives and guidelines, the allocation of assets among asset classes, sub-classes and investment managers, investment performance, evaluation of investment managers and the retention and dismissal of investment managers.

IV. United Church Funds' Investment Program

United Church Funds maintains a set of common investment Funds, each with different return/risk characteristics. At the present time the set consists of the UCF Cash and Equivalent Fund, the UCF Fixed-Income Fund, the UCF Equity Fund, the UCF Domestic Core Equity Fund, the UCF Small Cap Equity Fund, the UCF International Equity Fund and the three UCF Balanced Funds-the UCF Conservative Balanced Fund, the UCF Moderate Balanced Fund and the UCF Aggressive Balanced Fund. By allocating assets between these Funds, investors may create an investment program to match their objectives and their levels of risk tolerance.

The net asset values for United Church Funds' Funds are based on the fair market value of the underlying assets. The common investment Funds are available to all investors or entities that have deposits on account with United Church Funds.

A. Rate of Return Expectations and Risk by Fund

Over the long-term, the real rate of total return earned on each of United Church Funds' Funds is expected to equal or exceed the levels listed (they do not include alpha expectations) in the table below, although no such return can be assured. These expectations are based on Summit Strategies' long term capital market assumptions (10-year arithmetic expected returns and standard deviations) that Summit uses as inputs for all asset allocation analyses. Over shorter periods of time, real rates of return may vary considerably from long-term averages because of financial market conditions, changes in the rate of inflation and performance by specific investment managers. The real rate of return is defined as the actual rate of return minus the rate of consumer price inflation. Risk is defined as the weighted standard deviation of the asset classes represented in each Fund.

Fund Expectations

Fund	Expected Long-Term Real Total Return Per Annum	Risk
Cash & Equivalent Fund	1.00%	1.00%
Fixed-Income Fund	2.75%	3.50%
Total Equity Fund	4.55%	19.90%
Domestic Core Equity Fund	4.50%	17.50%
Small Cap Equity Fund	3.50%	22.50%
International Equity Fund	5.50%	19.250%
Conservative Balanced Fund	3.40%	9.25%
Moderate Balanced Fund	3.80%	13.35%
Aggressive Balanced Fund	4.10%	15.80%

B. Investment Objectives, Policies and Performance Measurement Criteria

The Investment Committee established the following policies in an effort to achieve the stated investment and performance objective of each fund. United Church Funds may retain more than one manager within each asset class based on the size of the portfolio and the nature of a particular market segment. Policy guidelines are viewed as long term in nature, although they will be reviewed periodically by the Investment Committee to ensure that they continue to serve the best interest of investors.

Over appropriate market cycles, typically three to five years, the nominal rate of return earned by each investment manager is expected to exceed the nominal rate of return of an index composed of the type of securities that typically comprise the manager's universe, and the rate of return earned by the manager is expected to be sufficient to place the account for which that manager is responsible in the top 50% of similar accounts managed by a relevant peer group of managers as defined by the Independent Consultant Cooperative Universe (ICC) maintained by State Street. Returns relative to market indices are calculated net of fees, while returns relative to peer groups are calculated before fees. Fund managers and their specific performance benchmarks are listed in Appendix A.

1. The UCF Cash and Equivalent Fund

a. Investment Objective

The UCF Cash and Equivalent Fund seeks to provide the participant with a level of current income consistent with the maintenance of a constant unit value. The Fund carries the least amount of market risk of any of United Church Funds' Funds, and correspondingly can be expected to provide the lowest total rate of return of the nine Funds over a long period of time.

b. Investment Policy

The Fund invests primarily in high quality, U.S. dollar-denominated money market instruments and other high quality short-term securities, all of which have remaining maturities of thirteen months or less. These instruments may include commercial paper, certificate of deposits, U.S. treasury bills and notes, U.S. agency securities, asset-backed and mortgage-backed securities.

c. Performance Measurement Criteria

The performance of the Fund will be measured against the return of the 91-Day Treasury Bill. The Fund's manager(s) will be measured against the iMoneyNet/All Taxable-First Tier Institutional Peer Group.

2. The UCF Fixed-Income Fund

a. Investment Objective

The UCF Fixed-Income Fund seeks to provide the participant with a rate of total return consistent with a broadly diversified portfolio of long term, high quality fixed-income securities. The Fund carries a degree of market risk and an expected total rate of return over a long period of time that are higher than those associated with the UCF Cash and Equivalent Fund, but less than those associated with the UCF Equity Funds and the UCF Balanced Funds.

b. Investment Policy

The Fund invests primarily in intermediate and long-term U.S. dollar denominated government and investment grade corporate fixed-income obligations. The Fund may also hold high quality mortgage- and asset-backed securities as well as short-term fixed-income instruments.

c. Performance Measurement Criteria

The performance of the Fund will be measured against the return of the Lehman Brothers Government/Corporate Index. The manager(s) will be measured against the ICC Fixed Income Universe as adjusted for managers who manage against the Lehman Government/Credit Index.

3. Total Equity Fund

a. Investment Objective

The UCF Equity Fund seeks to provide the participant with a rate of total return consistent with a broadly diversified portfolio of common stocks. The Fund carries a greater degree of market risk than the UCF Cash and Equivalent Fund, the UCF Fixed-Income Fund, and the UCF Balanced Funds, and correspondingly can be expected to provide a higher total rate of return than these funds over a long period of time.

b. Investment Policy

The Fund invests primarily in a broadly diversified portfolio of domestic and international common stocks and other equity-type securities that include both small and large capitalization stocks as well as emerging markets. It may own short-term fixed-income securities as cash reserves.

c. Performance Measurement Criteria

The Fund will be measured against the return of the S&P 500. The managers of the various asset classes will be measured against benchmarks relevant to their mandate (as shown in Appendix XX) and will be measured against the ICC universe appropriate to their specified mandate.

4. Domestic Core Equity Fund

a. Investment Objective

The UCF Domestic Core Equity Fund seeks to provide the participant with a rate of total return consistent with a broadly diversified portfolio of large capitalization U.S. common stocks. The Fund carries a degree of market risk and an expected total rate of return over a long period of time that is less than the other UCF equity funds but more than the UCF Fixed-Income or Balanced Funds.

b. Investment Policy

The Fund invests primarily in the common stocks and other equity like products of large and midsize companies headquartered in the U.S., but may hold up to 10% of the portfolio in companies domiciled outside the U.S. The Fund may also own short-term fixed income securities as cash reserves.

c. Performance Measurement Criteria

The Fund will be measured against the performance of the S&P 500. The manager(s) will be measured against the S&P 500 and the ICC Large Neutral U.S. Equity Universe.

5. Small Cap Equity Fund

a. Investment Objective

The UCF Small Cap Equity Fund seeks to provide the participant with a rate of total return consistent with a diversified portfolio of U.S. small capitalization stocks. The Fund carries the greatest amount of market risk of

any of United Church Funds' domestic funds, and correspondingly can be expected to provide the highest total rate of return of the domestic equity and fixed-income funds over a long period of time.

b. Investment Policy

The Fund invests primarily in U.S. headquartered small capitalization common stocks and other equity-type securities with a weighted average market capitalization that is typically under \$1.5 billion. The Fund may hold up to 10% of the portfolio in companies domiciled outside the U.S. and may also own short-term fixed income securities as cash reserves.

c. Performance Measurement Criteria

The Fund will be measured against the performance of the Russell 2000 Index. The managers will be measured against either the performance of the Russell 2000 Growth Index or the Russell 2000 Value Index, depending on the mandate. The Peer comparison will either be the ICC Small Growth Universe or the ICC Small Value Universe.

6. International Equity Fund

a. Investment Objective

The UCF International Equity Fund seeks to provide investors with a rate of total return consistent with a diversified portfolio of international stocks. Investors should recognize that by investing in foreign stocks they gain an opportunity to add the potential for long-term growth and to benefit from broader diversification, but at the same time, they should recognize that foreign stocks are subject to more risks than U. S. stocks. Risk can take the form of currency exchange risk, less liquidity, less stable governments and less developed economies. These risks can result in wider fluctuations in price for foreign stocks relative to comparable U.S. stocks.

b. Investment Policy

The Fund invests primarily in foreign common stocks and other equity-type securities issued by companies domiciled in developed countries in Europe, Asia and the Far East (EAFE). The Fund may also invest up to 7.5% of its assets in stocks issued by companies in less developed economies (emerging markets). The Fund may hold up to 10% of the portfolio in companies headquartered in the U.S. and may also own short-term fixed income securities as cash reserves.

c. Performance Measurement Criteria

The Fund will be measured against the performance of the MSCI EAFE Index. The manager(s) investing primarily in securities domiciled in EAFE countries will be measured against the MSCI EAFE Index. Managers who are primarily in less developed markets will be measured against the MSCI Emerging Market Index. The Peer comparison will be the ICC universe relevant to the managers' benchmarks.

7. Balanced Funds

a. Investment Objective

The UCF Balanced Funds seek to provide the participant with a rate of total return as is consistent with a broadly diversified portfolio of long-term high quality bonds and common stocks with varying equity allocations to obtain the desired degree of risk/return tradeoff. The Funds carry a degree of market risk and an expected total rate of return over a long period of time that are higher than those associated with the UCF Fixed-Income Fund, but less than those associated with the UCF Equity Fund. The UCF Conservative Balanced Fund has the lowest allocation to equities and thus has the lowest return potential of the three Balanced Funds over a long period of time, as well as the lowest market risk. The UCF Aggressive Balanced Fund has the highest allocation to equities and thus the highest return potential as well as the highest market risk over a long period of time. The UCF Moderate Balanced Fund has an allocation to equities that a typical balanced fund would have. Over a long period of time, its market risk and return potential is expected to be higher than the Conservative Balanced Fund but lower than the Aggressive Balanced Fund.

b. Investment Policy

Balanced Fund assets consist of units of the UCF Fixed-Income Fund and the UCF Equity Fund.

c. Performance Measurement Criteria

The UCF Balanced Funds are measured against benchmarks composed of the S&P 500 and the Lehman Government/Credit Index, weighted by the midpoint of the asset allocation policy range for each Fund that is stated in Section

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C. Long-Term Diversification Guidelines

The Investment Committee has established the following diversification guidelines in an effort to achieve an appropriate combination of asset classes within Equity and Balanced Funds. Asset classes were identified based on their appropriateness for United Church Funds' investment program, their long-term return and volatility characteristics and the diversification benefits offered within a multiple manager and a multiple asset class structure. United Church Funds may retain more than one manager within each asset class based on the size of the portfolio and the nature of a particular market segment.

These guidelines are viewed as long term in nature, although they will be reviewed periodically by the Investment Committee to ensure that they continue to serve the best interest of investors. The actual distribution of assets within Equity and Balanced Funds will be allowed to fluctuate within the policy guidelines, and it may be adjusted as deemed appropriate by the Committee.

1. Equity Fund Structure

		Allocation of Equity Fund Assets	
		Minimum	Maximum
Investment Style			
Core	Broadly diversified portfolio; broad characteristics similar to the market.	45%	65%
Small Cap	Smaller cap oriented equities with emphasis on growth or value characteristics	15%	25%
International	Equities of non-U.S. companies headquartered in Europe, the Far East and emerging markets countries.	20%*	30%*

* Emerging markets in the International allocation has a target allocation of 5% with a range of 2½% minimum and 7½% maximum.

2. Domestic Core Equity Fund Structure

		Allocation of Equity Fund Assets	
Investment Style		Minimum	Maximum
Core	Broadly diversified portfolio; broad characteristics similar to the market.	100%	100%

3. Small Cap Equity Fund Structure

		Allocation of Equity Fund Assets	
Investment Style		Minimum	Maximum
Small Cap Value	Smaller cap oriented equities with emphasis on value characteristics.	45%	55%
Small Cap Growth	Smaller cap oriented equities with emphasis on growth characteristics	45%	55%

4. International Equity Fund Structure

		Allocation of Equity Fund Assets	
Investment Style		Minimum	Maximum
Developed	Equities of non-U.S. companies headquartered in Europe, Australiasia and Far East countries	70%	90%
Emerging	Equities of non-U.S. companies headquartered in less developed countries	10%	30%

5. Fixed-Income Fund Structure

Investment Style		Allocation of Fixed-Income Fund Assets	
		Minimum	Maximum
Core	Long-term total return approach incorporating interest rate anticipation, sector concentration, coupon level and credit rating strategies.	100%	100%

6. Conservative Balanced Fund Structure

Asset Class	Allocation of Balanced Fund Assets	
	Minimum	Maximum
Total Equity	30%	40%
Fixed-Income	60%	70%

7. Moderate Balanced Fund Structure

Asset Class	Allocation of Balanced Fund Assets	
	Minimum	Maximum
Total Equity	55%	65%
Fixed-Income	35%	45%

8. Aggressive Balanced Fund Structure

Asset Class	Allocation of Balanced Fund Assets	
	Minimum	Maximum
<i>Total Equity</i>	70%	80%
<i>Fixed-Income</i>	20%	30%

V. Investment Guidelines

The Investment Committee of United Church Funds establishes guidelines to ensure that the investments in each of United Church Funds' Funds meet the ethical, moral and social expectations of the church, and that appropriate diversification within each Fund is maintained. Investment managers retained by United Church Funds are expected to adhere to these guidelines unless otherwise specified in the guidelines outlined within the investment advisory agreement between United Church Funds and the manager. Guidelines that are a part of the investment advisory agreement for United Church Funds' external managers are included in Appendix B to this Policy Statement.

A. Guideline Changes

Any manager believing that a change in the guidelines would be beneficial to the investors in United Church Funds' Funds should communicate this belief to the Investment Committee. The Committee will consider the manager's recommendations based on the facts and circumstances at the time. Approval of the Investment Committee must be obtained in writing before the investment manager is authorized to deviate from the guidelines.

B. Money Manager Structures

The assets of United Church Funds' Funds may be invested as separately managed accounts or in commingled or institutional mutual funds, depending on investment, administrative and cost considerations. The Investment Committee recognizes that commingled and mutual funds are subject to the diversification and quality guidelines of the investment advisor managing the fund. When selecting such an investment vehicle, the Investment Committee

will attempt to select funds with portfolio policies and guidelines which are consistent with the guidelines in this Statement of Investment Policy.

If screened investments held in a commingled or mutual fund do not exceed 2% of the assets under management by any manager, the fund will be considered consistent with the guidelines in this Statement of Investment Policy. However, there may be circumstances under which a commingled or institutional mutual fund may not be entirely consistent with the guidelines in the Policy Statement and yet represent the best or only alternative means of participating in a particular asset class. These circumstances may include an asset class where costs, diversification requirements, limited access to available managers and the unavailability of separately managed accounts may necessitate the use of such a fund.

C. Ethical, Moral and Social Guidelines

When selecting investments for any of United Church Funds' Funds, the investment manager should favor securities of companies and organizations which in their policies and actions work to promote human health and dignity, environmental integrity and moral responsibility. In its selection process, the investment manager should avoid securities of companies which derive a significant portion (as defined below) of their revenues from the manufacture, sale or distribution of alcohol, tobacco, gambling or military products or services.

Product/Service	Approximate Percentage
Alcohol	10%
Gambling	10%
Tobacco	1%
Military products/services:	
Conventional Weapons	10%
Nuclear Weapons	5%

A list of companies that have been screened according to this criteria and should be avoided is found in Appendix C. This list is updated on an annual basis and is provided to the investment managers.

D. Prohibited Transactions

1. Purchasing or selling commodities, commodity contracts, or illiquid interests in real estate or mortgages.
2. Pledging, mortgaging, or hypothecating any securities except for loans of securities that are fully collateralized.
3. Borrowing money in order to create financial leverage.
4. Purchasing securities on margin or making short sales.
5. Purchasing securities of the investment manager, its parent, or its affiliates.
6. Purchasing private placements without prior written Investment Committee approval. Requests for Committee approval must be made in writing and must include an explanation of the strategies to be employed and the guidelines to be followed.
7. Purchasing or selling futures, options or forward contracts for speculative purposes or for the purpose of increasing portfolio leverage. The use of various futures and options strategies may be appropriate under certain circumstances. However, written Investment Committee approval is required before a manager may engage in such strategies. Requests for Committee approval must be made in writing and must include an explanation of the strategies to be employed and the guidelines to be followed.

E. Cash & Equivalent Fund Guidelines

1. Permissible investments include high quality, marketable U.S. dollar denominated securities of the types listed below with effective remaining maturities of 397 days or less. High quality, broadly diversified commingled or mutual money market funds made available by United Church Funds' custodian bank are also permitted investments. Permission to use comparable funds or other cash equivalents vehicles may be requested from the Investment Committee. Written Investment Committee approval is required before the manager may use cash equivalents vehicles other than those listed below or those made available by United Church Funds' custodian bank.

- a. Commercial paper of domestic and foreign issuers.
 - b. Negotiable certificates of deposit, time deposits and bankers acceptances of domestic banks that are subject to regulatory supervision by the United States Government or by state governments, and of foreign banks with branches or agencies in the United States subject to the same supervision.
 - c. Bonds and notes issued by United States or foreign corporations provided they are not subject to foreign withholding tax.
 - d. Obligations issued or guaranteed by the United States Government or its agencies or instrumentalities.
 - e. Obligations issued by foreign sovereign governments or their agencies, instrumentalities, authorities, or political subdivisions.
 - f. Obligations of international banking institutions authorized by national governments to facilitate economic reconstruction, economic development, or trade between nations.
2. Up to 10% of the market value of the portfolio for which each manager is responsible may be invested in U.S. dollar denominated bonds of issuers located outside the United States.
 3. All commercial paper must be rated by at least two of the Nationally Recognized Statistical Rating Organizations (NRSRO's), and must carry the highest rating issued by all NRSRO's that rate the issue. All bonds and notes issued by United States or foreign corporations must be rated "AA" or higher by at least two of the Nationally Recognized Statistical Rating Organizations (NRSRO's). In the event that a commercial paper issue held by a manager has its rating downgraded below the required rating, and/or in the event that the comparable debt of the issuer is downgraded, the manager must liquidate the position or report its inability to do so to the Chief Investment Officer.
 4. No single issuer's securities should exceed 5% of each manager's portfolio at current market value. Securities issued or guaranteed by the U.S. Government or its agencies or instrumentalities are exempt from this guideline.
 5. Each manager's portfolio should be appropriately diversified. This diversification should be demonstrated in the manager's quarterly report to the Investment Committee. The dollar weighted average maturity of the manager's

portfolio together with the manager's stated maturity policy should also be included. Under no circumstances, however, should the average maturity of the manager's portfolio exceed 91 days.

F. Fixed-Income Fund Guidelines

1. Permissible investments include U.S. dollar denominated marketable bonds, and notes mortgages and other asset-backed securities, preferred stock and cash equivalent securities. Forward, futures, and options contracts with prior written authorization may be used in certain situations. (See Prohibited Transactions.)
2. Up to 25% of the market value of the portfolio for which each manager is responsible may be invested in U.S. dollar denominated bonds of issuers located outside the United States.
3. At least 90% of each manager's portfolio, measured at current market value, should have an investment grade rating from at least two of the NRSRO's.
4. No single issuer's securities, other than those of the U.S. Treasury or Agencies, should exceed 5% of each manager's portfolio at current market value. There is no limit to the percentage of the manager's portfolio that may be invested in U.S. Treasury securities. No more than 25% of the total portfolio, measured at current market value, may be invested in U.S. Agency securities.
5. Each manager's portfolio should be appropriately diversified. This diversification should be demonstrated in the manager's quarterly reports to the Investment Committee. The duration of each manager's portfolio together with the manager's stated duration policy should also be included.
6. For the cash and equivalent portion of their portfolios, managers are expected to utilize a high quality broadly diversified commingled fund or other high quality investment vehicle made available by United Church Funds' custodian bank. Permission to use comparable funds or other cash equivalent vehicles may be requested from the Investment Committee. The request must be accompanied by evidence indicating that the alternative funds or vehicles meet the same or higher standards of quality and diversification that would be achieved by using the custodian bank's vehicles. Written Investment Committee approval is required before a manager may use cash equivalent vehicles other than those made available by United Church Funds' custodian bank.

G. Total Equity Fund Guidelines

1. Permissible investments include common and preferred stock, convertible securities, warrants, and cash equivalent securities. Forward, futures, and options contracts with prior written authorization may be used in certain situations. (See Prohibited Transactions.)
2. Domestic managers should invest no more than 10% of the market value of the portfolios for which they are responsible in the equities of companies headquartered outside the U.S. Both direct investments and depository receipts are permissible in the non-U.S. segment of the portfolio.
3. Foreign managers should invest no more than 10% of the market value of the portfolios for which they are responsible in the equities of companies headquartered inside the U.S. Both direct investments and depository receipts are permissible in the U.S. segment of the portfolio.
4. Investments should be made in equity markets of countries which the manager deems to be politically stable.
5. Securities of foreign issuers held in each manager's portfolio should be traded in markets which in the manager's opinion provide the investor with sufficient liquidity, and which adhere to fair, safe and orderly trading and settlement practices and procedures.
6. With respect to at least 75% of the value of each manager's portfolio, the maximum position in a single issuer's securities should not exceed 5% of total assets at current market value. Each manager has discretion to take more concentrated positions in the remaining 25% of the portfolio, but should not allow any one position to exceed 8% of the portfolio.
7. No more than 20% of each manager's portfolio, at market value, should be invested in companies with a market capitalization of \$100 million or less.
8. No more than 25% of the market value of each manager's portfolio may be invested in companies in which the combined holdings of the manager's clients constitute 10% or more of the outstanding stock.
9. Each manager's portfolio should be appropriately diversified by sector, by industry and by individual company, and it should reflect the investment style of the manager. This diversification and adherence to relevant style characteristics should be demonstrated in the manager's quarterly reports to the Investment Committee.

10. Cash equivalent positions should not exceed 15% of each manager's portfolio, at market value.
11. For the cash and equivalent portion of their portfolios, managers are expected to utilize a high quality broadly diversified commingled fund or other high quality investment vehicle made available by United Church Funds' custodian bank. Permission to use comparable funds or other cash equivalent vehicles may be requested from the Investment Committee. The request must be accompanied by evidence that the alternative funds or vehicles meet the same or higher standards of quality and diversification that would be achieved by using the custodian bank's vehicles. Written Investment Committee approval is required before a manager may use cash equivalent vehicles other than those made available by United Church Funds' custodian bank.

H. Domestic Core Equity Fund Guidelines

1. Permissible investments include common and preferred stock, convertible securities, warrants, and cash equivalent securities. Forward, futures, and options contracts with prior written authorization may be used in certain situations. (See Prohibited Transactions.)
2. Managers should invest no more than 10% of the market value of the portfolios for which they are responsible in the equities of companies headquartered outside the U.S. Both direct investments and depository receipts are permissible in the non-U.S. segment of the portfolio.
3. Securities of foreign issuers should be made in equity markets of countries which the manager deems to be politically stable and which in the manager's opinion provide the investor with sufficient liquidity, and adhere to fair, safe and orderly trading and settlement practices and procedures.
4. With respect to at least 75% of the value of each manager's portfolio, the maximum position in a single issuer's securities should not exceed 5% of total assets at current market value. Each manager has discretion to take more concentrated positions in the remaining 25% of the portfolio, but should not allow any one position to exceed 8% of the portfolio.
5. Each manager's portfolio should be appropriately diversified by sector, by industry and by individual company, and it should reflect the investment style of the manager. This diversification and adherence to relevant style characteristics should be demonstrated in the manager's quarterly reports to the Investment Committee.

6. Cash equivalent positions should not exceed 15% of each manager's portfolio, at market value.
7. For the cash and equivalent portion of their portfolios, managers are expected to utilize a high quality broadly diversified commingled fund or other high quality investment vehicle made available by United Church Funds' custodian bank. Permission to use comparable funds or other cash equivalent vehicles may be requested from the Investment Committee. The request must be accompanied by evidence that the alternative funds or vehicles meet the same or higher standards of quality and diversification that would be achieved by using the custodian bank's vehicles. Written Investment Committee approval is required before a manager may use cash equivalent vehicles other than those made available by United Church Funds' custodian bank.

I. Small Cap Equity Fund Guidelines

1. Permissible investments include common and preferred stock, convertible securities, warrants, and cash equivalent securities. Forward, futures, and options contracts with prior written authorization may be used in certain situations. (See Prohibited Transactions.)
2. Managers should invest no more than 10% of the market value of the portfolios for which they are responsible in the equities of companies headquartered outside the U.S. Both direct investments and depository receipts are permissible in the non-U.S. segment of the portfolio.
3. Securities of foreign issuers should be made in equity markets of countries which the manager deems to be politically stable and which in the manager's opinion provide the investor with sufficient liquidity, and adhere to fair, safe and orderly trading and settlement practices and procedures.
4. With respect to at least 75% of the value of each manager's portfolio, the maximum position in a single issuer's securities should not exceed 5% of total assets at current market value. Each manager has discretion to take more concentrated positions in the remaining 25% of the portfolio, but should not allow any one position to exceed 8% of the portfolio.
5. No more than 20% of each manager's portfolio, at market value, should be invested in companies with a market capitalization of \$100 million or less.

6. Each manager's portfolio should be appropriately diversified by sector, by industry and by individual company, and it should reflect the investment style of the manager. This diversification and adherence to relevant style characteristics should be demonstrated in the manager's quarterly reports to the Investment Committee.
7. Cash equivalent positions should not exceed 15% of each manager's portfolio, at market value.
8. For the cash and equivalent portion of their portfolios, managers are expected to utilize a high quality broadly diversified commingled fund or other high quality investment vehicle made available by United Church Funds' custodian bank. Permission to use comparable funds or other cash equivalent vehicles may be requested from the Investment Committee. The request must be accompanied by evidence that the alternative funds or vehicles meet the same or higher standards of quality and diversification that would be achieved by using the custodian bank's vehicles. Written Investment Committee approval is required before a manager may use cash equivalent vehicles other than those made available by United Church Funds' custodian bank.

J. International Equity Fund Guidelines

1. Permissible investments include common and preferred stock, convertible securities, warrants, and cash equivalent securities. Forward, futures, and options contracts with prior written authorization may be used in certain situations. (See Prohibited Transactions.)
2. Managers should invest no more than 10% of the market value of the portfolios for which they are responsible in the equities of companies headquartered inside the U.S. Both direct investments and depository receipts are permissible in the U.S. segment of the portfolio.
3. Securities of foreign issuers should be made in equity markets of countries which the manager deems to be politically stable and which in the manager's opinion provide the investor with sufficient liquidity, and adhere to fair, safe and orderly trading and settlement practices and procedures.
4. With respect to at least 75% of the value of each manager's portfolio, the maximum position in a single issuer's securities should not exceed 5% of total assets at current market value. Each manager has discretion to take more concentrated positions in the remaining 25% of the portfolio, but should not allow any one position to exceed 8% of the portfolio.

5. No more than 20% of each manager's portfolio, at market value, should be invested in companies with a market capitalization of \$100 million or less.
6. Each manager's portfolio should be appropriately diversified by sector, by industry and by individual company, and it should reflect the investment style of the manager. This diversification and adherence to relevant style characteristics should be demonstrated in the manager's quarterly reports to the Investment Committee.
7. Cash equivalent positions should not exceed 15% of each manager's portfolio, at market value.
8. For the cash and equivalent portion of their portfolios, managers are expected to utilize a high quality broadly diversified commingled fund or other high quality investment vehicle made available by United Church Funds' custodian bank. Permission to use comparable funds or other cash equivalent vehicles may be requested from the Investment Committee. The request must be accompanied by evidence that the alternative funds or vehicles meet the same or higher standards of quality and diversification that would be achieved by using the custodian bank's vehicles. Written Investment Committee approval is required before a manager may use cash equivalent vehicles other than those made available by United Church Funds' custodian bank.
9. Cash equivalent positions should not exceed 15% of each manager's portfolio, at market value.
10. For the cash and equivalent portion of their portfolios, managers are expected to utilize a high quality broadly diversified commingled fund or other high quality investment vehicle made available by United Church Funds' custodian bank. Permission to use comparable funds or other cash equivalent vehicles may be requested from the Investment Committee. The request must be accompanied by evidence that the alternative funds or vehicles meet the same or higher standards of quality and diversification that would be achieved by using the custodian bank's vehicles. Written Investment Committee approval is required before a manager may use cash equivalent vehicles other than those made available by United Church Funds' custodian bank.

K. Balanced Funds Guidelines

Because the assets of the UCF Balanced Funds consist of units of the UCF Fixed-Income Fund and the UCF Equity Fund, broad diversification within each asset class is assured by the guidelines pertaining to those two Funds. To maintain the desired diversification between asset classes and risk parameters, the Investment Committee has determined that equity exposure in the Conservative Balanced Fund will remain between 30% and 40% of the total Fund, that equity exposure in the Moderate Balanced Fund will remain between 55% and 65% and that equity exposure in the Aggressive Balanced fund will remain between 70% and 80%. Within these limits, the asset allocation manager is responsible for allocating investments between fixed-income and equity in accordance with its judgment of the potential reward and risk associated with each asset class. Any recommendation to deviate from these limits for equities must be approved by the Investment Committee prior to its implementation.

VI. Review and Evaluation Process

The Investment Committee believes that investors in United Church Funds' investment program are best served by the adoption of a long-term view of the investment process. The Investment Committee also recognizes that careful monitoring of results and timely decision-making when needed are critical to the program's success. Within this context, The Investment Committee has established the following formal program reviews as part of the ongoing monitoring process.

- A.** During the course of each year, the Investment Committee will review the overall investment program. This review will include an evaluation of:
 - 1. The structure of the investment program in relation to the needs and desires of investors.
 - 2. The objectives of each Fund.
 - 3. The investment structure of each Fund, including the allocation of assets between asset classes, market segments and investment managers.
 - 4. The performance of each Fund in relation to its objectives.

- B.** At least once each year, the Investment Committee will review the performance of its investment managers. The yearly management review will include an evaluation of:

1. The manager's investment performance in relation to appropriate indexes and universes.
2. The manager's adherence to its stated investment approach.
3. The manager's observance of the investment guidelines.
4. Developments within the investment manager's organization of importance to United Church Funds.

VII. Policies on Execution and Soft Dollar Transactions

Execution

Investment managers should seek "best execution" on all investment transactions. For security sales, best execution is defined as maximum net proceeds considering price, commissions or other similar expenses and all other transactions costs. For security purchases, best execution is defined as minimum net cost considering price, commissions or other similar expenses and all other transactions costs.

Soft Dollar Transactions

Soft dollar transactions are permitted under the following guidelines in situations in which United Church Funds determines that the service being acquired serves the best interest of investors in the Funds.

1. The trading policy requiring best execution may not be violated.
2. The investment manager will select the broker to be used and will negotiate the hard dollar/soft dollar ratio to be applied to transactions. This ratio will be included in the brokerage allocation report referred to in Appendix C of this Statement of Investment Policy.
3. The investment manager's normal commission policies will be followed.

VIII. Policies and Guidelines on Securities Lending

The securities held in the UCF Fixed-Income Fund and all UCF Equity Funds may be lent to approved borrowers in order to increase the total return earned by the Funds. Prior to any lending activity, there must be a properly executed securities lending agreement between United Church Funds and the lending agent which includes, but is not limited to, provisions for appropriate collateral and indemnification against borrower defaults.

Non-cash collateral equal to at least 100% of the market value of the loan must consist of U.S. dollar denominated securities issued by the U.S. Government or its agencies or instrumentalities. Collateral in excess of 100% of the loan may be in the form of U.S. dollar denominated letters of credit issued by banks on the lending agent's approved list if the issuing bank's short term debt is rated at least A1.

Guidelines concerning the investment of cash collateral are listed below. All investments made with cash collateral are to be denominated in, or fully hedged into, U. S. dollars. All investments made with cash collateral are to have a remaining life when purchased of no more than 397 days.

<u>Approved Investments With Cash Collateral</u>	<u>Limit (if any)</u>	<u>Rating (if applicable)</u>
1. Obligations of the U. S. Government, its agencies and instrumentalities	No Limit	na
2. Obligations of foreign sovereign governments and their agencies and instrumentalities, if specifically guaranteed by the sovereign government.	5 MM per country	AA

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<p>3. High-grade commercial paper, master notes, and promissory notes, whether or not registered under the Securities Act of 1933, as amended. Rating = A1, P1. These obligations may have fixed or variable payment provisions. For asset-back commercial paper programs (ABCP), the following conditions must apply: (a) underlying assets must not include subprime or Alt-A residential mortgages or home equity loans or tranches of other asset-backed securities with subprime or Alt-A residential mortgage or home equity loan collateral, (b) program-wide credit enhancement, excluding any amounts based upon credit enhancement provided by MBIA or Ambac or any other financial guarantor rated less than AAA, or any of their subsidiaries, must be provided in an amount not less than 10% of outstanding CP balances (c) total underlying assets from CDOs, CLOs, CBOs, or synthetic CDOs must not exceed 5% of outstanding CP balances (d) total underlying assets in residential mortgage or mortgage-backed securities must not exceed 10% of outstanding CP balances (e) total underlying assets with transaction-level credit enhancement provided by MBIA or Ambac or any other financial guarantor rated less than AAA, or any of their subsidiaries, must not exceed 10% of outstanding CP balances (f) total underlying assets in commercial mortgages or mortgage-backed securities must not exceed 10% of outstanding CP balances (g) total underlying assets must not include CP issued by other ABCP programs, investments in closed-end mutual funds, or investments in "future flow" securitizations.</p>	5 MM per issuer	A1, P1
<p>4. Marketable high-grade notes and bonds. Rating = A/A2 or higher. These obligations may have fixed or variable rate payment provisions. These obligations must not have ratings based upon credit enhancement provided by MBIA or Ambac or any other financial guarantor rated less than AAA, or any of their subsidiaries.</p>	5 MM per issuer	A or higher
<p>5. Asset-backed securities. Rating = AAA. These obligations must not have a rating based upon credit enhancement provided by MBIA or Ambac or any of their subsidiaries. Underlying collateral must not include (a) credit default swaps (b) "future flow" assets (c) tranches of other asset-backed securities (d) subprime or Alt-A residential mortgages or home equity loans.</p>	5 MM per issuer	AAA
<p>6. Certificates of deposit and time deposits of U.S. banks (including those of The Bank of New York) or branches or subsidiaries of foreign banks</p>	5 MM per issuer	A1, P1

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7. Bankers' acceptances issued by U.S. banks (including those of The Bank of New York) or issued in the U.S. by branches or subsidiaries of foreign banks	5 MM per issuer	A1, P1*
8. Repurchase and reverse repurchase agreements (which may be with The Bank of New York) with respect to the obligations listed above with counterparties to be Primary Dealers only	na	na
9. Securities, units, shares or other investments in money market funds, short-term investment funds, pools or trusts (including those managed by the Bank of New York) which invest exclusively in approved investments.	25 MM per issuer	na

* If the banker's acceptance is not rated, the bank's commercial paper rating must be A1, P1.

APPENDICES**Appendix A – Performance Objectives by Investment Manager**

Over appropriate market cycles, typically three to five years, the nominal rate of return earned by each investment manager is expected to exceed the nominal rate of return of an index composed of the types of securities that typically comprise the manager's universe, and the rate of return earned by the manager is expected to be sufficient to place the account for which that manager is responsible in the top 50% of similar accounts managed by a relevant peer group of managers as defined by the Independent Consultant Cooperative Universe (ICC) maintained by State Street. Returns relative to market indices are calculated net of fees, while returns relative to peer groups are calculated before fees. Relevant indexes and manager peer groups are listed in the table below.

Investment Manager Objectives

Fund/Manager(s)	Peer Group (ICC Universe)	Index
Cash & Equivalent Fund Pension Boards - UCC	iMoneyNet/All Taxable - First Tier Institutional	91-Day Treasury Bill
Fixed-Income Fund Pension Boards - UCC	ICC Fixed-Income	Barclays Government/Corporate
Total Equity Fund Quantitative Management Associates Friess Associates Dimensional Fund Advisors Walter Scott & Partners, Ltd LSV Asset Management Aberdeen Asset Management	ICC Large Neutral ICC Small Growth ICC Small Value ICC Developed ICC Developed ICC Emerging Market	Custom Benchmark* S & P 500 Russell 2000 Growth Russell 2000 Value MSCI-EAFE MSCI EAFE MSCI Emerging Market
Domestic Core Equity Quantitative Management Associates	ICC Large Neutral	S & P 500
Small Cap Equity Friess Associates Dimensional Fund Advisors	ICC Small Growth ICC Small Value	Russell 2000 Growth Russell 2000 Value
International Equity Walter Scott & Partners, Ltd LSV Asset Management Aberdeen Asset Management	ICC Developed ICC Developed ICC Emerging Market	MSCI EAFE MSCI EAFE MSCI Emerging Market

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Conservative Balanced Fund Quantitative Management Associates Friess Associates Dimensional Fund Advisors UCF Fixed-Income Fund LSV Asset Management Walter Scott & Partners Aberdeen Asset Management	ICC Balanced Funds	35% Custom Benchmark* 65%BGC
Moderate Balanced Fund Quantitative Management Associates Friess Associates Dimensional Fund Advisors UCF Fixed-Income Fund LSV Asset Management Walter Scott & Partners Aberdeen Asset Management	ICC Balanced Funds	60% Custom Benchmark* 40% BGC
Aggressive Balanced Fund Quantitative Management Associates Friess Associates Dimensional Fund Advisors UCF Fixed-Income Fund LSV Asset Management Walter Scott & Partners Aberdeen Asset Management	ICC Balanced Funds	75% Custom Benchmark* 25% BGC

* **Customized Benchmark:** 55% S&P 500, 20% Russell 2000, 20% MSCI EAFE, 5% MSCI Emerging Markets

Appendix B – External Manager Guidelines

QMA -DOMESTIC CORE INVESTMENT GUIDELINES

The Investment Manager Account is to be primarily a large-cap core domestic (US) equity-oriented portfolio. The portfolio will be diversified based on Investment Manager investment decisions regarding individual securities and sectors. The Investment Manager will abide by the social screens established by the Client and are listed in Schedule C. All guidelines are based upon percentages of the portfolio's holdings on a market value basis at the time of the security's purchase or sale.

I. Investment Objective Investment Objective

The primary investment objective is to generate a rate of return that exceeds the S&P 500 Index (the Benchmark) by 1.0%-1.5%, over the course of a complete market cycle with a tracking error equal to or less than 2.0% to the benchmark.

II. Investment Guidelines

A) Asset Allocation

The portfolio will be invested primarily in equities and equity-related securities. Equity investments may include warrants, rights, preferred stocks, and convertibles.

At times, a portion of the equity portfolio may be invested in short-term fixed income instruments. Under normal circumstances, the intent is to be fully invested and the allocation to short term securities should be less than 5%. In no case will short-term securities exceed 15%.

B) Permissible Securities

The portfolio will be primarily invested in a diversified portfolio of common stocks that are listed on national securities exchanges. However, it may also invest in stocks that are traded over-the-counter and in other equity-related securities, provided that 88% is invested in stocks that are in the S&P 500.

In the selection process, the Investment Manager should avoid securities of companies that appear on the Restricted List in Schedule C to the Investment Management Agreement. This List will be provided by the Client and will be amended from time to time.

Non-U.S. securities are permitted as long as they are listed or registered on a U.S. domestic exchange, are denominated in U.S. dollars and do not exceed 10% of the portfolio.

Exchange traded funds (S&P spiders, sector spiders or more specialized funds) may be used up to a limit of 15%, provided that the use of a sector spider does not result in more than a 2% weighting of the socially screened stocks in Schedule C.

In addition, short-term fixed income securities are permitted subject to the Asset Allocation limitations noted in section (A).

S&P futures, financial futures, option contracts and swaps may be utilized in certain situations with prior written authorization. (See Prohibited Transactions in Section C.)

C) Prohibited Transactions

1. Purchasing or selling commodities, commodity contracts, or illiquid interest in real estate or mortgages.
2. Pledging, mortgaging, or hypothecating any securities except for loans of securities that are fully collateralized.
3. Borrowing money in order to create financial leverage.
4. Purchasing securities on margin or making short sales,
5. Purchasing securities of the investment manager, its parent, or its affiliates.
6. Purchasing private placements without prior written Investment Committee approval. Requests for Committee approval must be made in writing and must include an explanation of the strategies to be employed and the guidelines to be followed.
7. Purchasing or selling futures, options or forward contracts for speculative purposes or for the purpose of increasing portfolio leverage. The use of various futures and options strategies may be appropriate under certain circumstances. However, written Investment Committee approval is required before a manager may engage in such strategies. Requests for Committee approval must be made in writing and must include an explanation of the strategies to be employed and the guidelines to be followed.
8. Invest for the purpose of exercising control of management.

D) Diversification and Concentration

The portfolio's investments will be broadly diversified. At the time the portfolio is rebalanced it:

1. *May not invest more than + or -0.75% of a sector (as defined by QMA) relative to the benchmark weighting for that sector.*
2. *May not invest more than + or - 0.75% per issue relative to the benchmark weighting for that issue, at market value.*
3. *May not invest more than + or - 0.75% in any individual industry (as defined by QMA) relative to the benchmark weighting for that industry.*
4. *Have long-term expected EPS growth equal to the S&P + or - 3% in any growth grouping (as defined by QMA).*
5. *Have market capitalization equal to the S&P +or - 3% in any capitalization grouping (as defined by QMA).*

Should market action cause any of these restrictions to be violated, they will be brought back within permissible ranges at the next portfolio rebalance which under normal conditions will be no longer than 10 business days.

E) *Trading*

The portfolio will be periodically be rebalanced in a manner that attempts to balance improvements in risk-adjusted performance with associated transactions costs. Although there is no limitation on turnover, we expect annual turnover to normally fall between 75% and 100%.

QMA will use its best efforts to execute transactions at the lowest possible cost including commissions, market impact, delay, spread and other factors influencing transactions costs including quality of execution services. Trading through an affiliated party is prohibited without written approval.

F) *Portfolio Characteristics*

Other than the limitations expressed in C, above, there are no limitations on portfolio characteristics such as beta, dividend or earnings yield. Because risk cannot be fully predicted, there is also no ex-ante limitation on tracking error (measured as the annualized standard deviation of return vs. benchmark). Nevertheless, the portfolio will be managed in a manner such that tracking error is expected to be approximately 2% over a full market cycle.

III. *General Principles*

The Client has delegated to its Investment Committee the responsibility for investment oversight of the funds in the Investment Manager Account. All reviews of the Investment Manager's performance shall be performed by the Client's staff and consultants selected and engaged by the Client under the direction of the Investment Committee. The Investment Manager will report to the Investment Committee and Client staff.

Funds available for investment shall be invested as promptly as possible.

Full advantage should be taken of the Account tax exempt status, when appropriate.

The Investment Committee may grant exceptions to these Investment Guidelines and Restricted Investment list (Schedule C) on a case by case basis upon request from the Investment Manager. In the event that any requirement of the Investment Agreement, the Investment Guidelines or the Restricted List conflict with the fiduciary duty of the Investment Manager under this Agreement, the Investment Manager shall advise the Investment Committee of its concern and seek an exception, if appropriate

LSV - INTERNATIONAL LARGE CAP VALUE INVESTMENT GUIDELINES

Investment Objective - to structure and maintain a well-diversified portfolio of non-U.S. stocks and outperform the total rate of return (net of dividend withholding taxes) of the benchmark by at least 250 basis points per annum before considering the fees payable.

Benchmark - the unhedged MSCI EAFE Index

Permissible Investments – Common and preferred stocks, convertible securities, warrants and cash equivalent securities. Forwards, futures and options contracts with prior written authorization may be used in certain situations (see Prohibited Transactions).

Diversification - the Account will be well diversified and should hold at least 100 stocks. The Account will not hold more than a 5% overweight relative to the benchmark's weight, at the time of purchase, in an individual security. No more than 10% of the market value of the Account should be invested in the equities of companies headquartered inside the U.S. Both direct investment and depository receipts are permissible in the Account.

Cash Position - the Manager intends to be fully invested at all times with a maximum cash position of 5% of the Account except for a reasonable period of time following a cash contribution, or on a temporary or transitional basis.

Market Capitalization - stocks with market capitalization of at least \$400 million at the time of purchase.

Country & Industry Exposures - the portfolio will be approximately country neutral relative to the benchmark and will attempt to outperform the benchmark through stock selection within each country. Industry exposures will also be closely monitored relative to the benchmark.

Liquidity – At the time of purchase, Manager will trade on exchanges it believes to be adequate to the needs of the transaction.

Ethical, Moral and Social Guidelines –In its selection process, the Manager should avoid securities of companies on the Client's exclusionary list attached hereto as Attachment C. The exclusionary list will be provided and updated by the Client on an annual basis and will include a seven digit SEDOL for each security.

Prohibited Transactions –

- Purchasing or selling commodities, commodity contracts or illiquid interests in real estate or mortgages.
- Pledging, mortgaging, or hypothecating any securities except for loans of securities that are fully collateralized.
- Borrowing money in order to create financial leverage. Purchasing securities on margin or making short sales.
- Purchasing securities of the Manager, its parent, or its affiliates.
- Purchasing private placements without prior written Investment Committee approval. Requests for Committee approval must be made in writing and must include an explanation to the strategies to be employed and the guidelines to be followed.
- Purchasing or selling futures, options or forward contract for speculative purposes or for the purpose of increasing portfolio leverage. Foreign currency forwards may be used to effect settlement of equity trades. The use of various futures and options strategies may be appropriate under certain circumstances. However, written Investment Committee approval is required before the Manager may engage in such strategies.

Manager Request for Guideline Changes –

If the Manager believes that a change in the guidelines is needed to allow the Manager to implement its investment strategy for the Account, this belief should be communicated to the Investment Committee. The Committee will consider the Manager's recommendations based on the facts and circumstances at the time. Approval of the Investment Committee must be obtained in writing before the Manager is authorized to deviate from the guidelines.

WALTER SCOTT & PARTNERS – INTERNATIONAL GROWTH INVESTMENT GUIDELINES

The weighting in Japan-domiciled issuers is limited to 50% (3/20/06).

The manager has received permission to use currency options to hedge the euro currency exposure in the portfolio (July 2005).

Appendix C—Exclusionary Screens**2008 EXCLUSIONARY SCREENS*****ALCOHOL (Three year average percentage of revenue: 10%)*****S&P 500 COMPANIES**

Entity name	TICKER	SEDOL	ALC008
Fortune Brands, Inc.	FO	2024774	25.35881
Anheuser-Busch Companies, Inc.	BUD	2033004	81.93477
Brown-Forman Corp.	BF	2146838	86.11709
Constellation Brands, Inc.	STZ	2170473	99.99999
Molson Coors Brewing Co	TAP	B067BM3	100.00000

S&P 1500 COMPANIES

Entity_name	TICKER	SEDOL	ALC008
The Boston Beer Company, Inc.	SAM	2113393	97.25343

OTHER COMPANIES

Entity_name	TICKER	SEDOL	ALC008
Granite City Food & Brewery Ltd.	GCFB	2546278	14.99491
Sichuan Jinlu Group Co., Ltd.	000510	6780351	17.16013
Christian Dior	CDI	4061393	17.91441
BJ's Restaurants Inc	BJRI	2200552	18.75526
Lvmh Moet Hennessy Louis Vuitton	LVMUY	2165747	18.81637
Young & Co. Brewery PLC	YNGA	0988203	20.00000
Big Buck Brewery & Steakhouse, Inc.	BBUCQ	2983165	20.17200
Marston's PLC (Fmly Wolverhampton & Dudley Breweries plc)	MARS	B1JQDM8	23.48569
Fomento Economico Mexicano S.A. (Femsa)	FMX	2246039	26.05022
MGP Ingredients Inc.	MGPI	2590703	29.88041
San Miguel Corporation	SMGBY	2774682	30.89862
Didot Bottin	DIDO	5738715	34.00000
Tempo Beer Industries Ltd.	TMPO	6882581	41.99234
Cristalerias De Chile S.A.	CRISTALE	2232890	44.00000
Scheid Vineyards Inc.	SVIN	B153174	49.41048
C&C Group PLC	GCC	B011Y09	50.24840
Carlsberg Brewery (M) Bhd.	CARLSBG	B09FGC9	51.00000
Kirin Holdings Co., Ltd.	KNBWY	2981965	56.11624
PungKuk Alcohol Industry Co. Ltd.	023900	6594068	58.55163
Pyramid Breweries Inc.	PMID	2437082	59.91962
ANGOSTURA HLDGS LTD	AHL	2032915	61.24577
Lascelles deMercado & Co Ltd	LAS	2505989	61.39647

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San Miguel Brewery HK Ltd	236	6773179	66.56155
Compania Cerveceras Unidas SA	CU	2217596	68.00000
Heineken Holding	HEIO	B0CCH46	68.41406
Sechaba Breweries Ltd (Formerly Sechaba Investment)	SECHBT	6791502	68.54771
International Breweries PLC	INTBREW	6226242	68.76259
Olvi OYJ	OLVAS	4622165	69.73780
Quilmes Industrial S.A. (Quinsa)	LQU	2770055	71.36946
Sapporo Holdings Ltd. (formerly Sapporo Breweries)	2501	6776907	72.18839
Hebei Yufeng Industry Co., Ltd.	600559	6553821	73.16962
Mercian Corp.	2536	6776004	73.90232
Hite Brewery (formerly Cho Sun Brewery)	000140	6193573	74.35469
Brasseries du Nord Marocain (Branoma)	BNM	6120311	75.00000
Societe commerciale de brasserie SA/NV	COBH	4400907	75.00000
KEO Ltd	KEO	4723585	78.31653
Carlsberg	CARL	4169208	79.16179
Anadolu Efes Biracilik Ve Malt San	AEBZY	4160836	79.43316
Heineken NV	HINKY	2419176	80.08907
DAVIDE CAMPARI-MILANO-S.p.a. Inc.	CPR	B08BR25	83.52647
Guangxia (Yinchuan) Industry Co., Ltd.	000557	6392897	84.53318
SABMiller plc	SBMRY	2399911	84.60732
Radico Khaitan Ltd (formerly Abhishek Cements Ltd)	532497	B0VY3T0	87.12861
Oenon Holdings Inc. (formerly Godo Shusei Co. Ltd.)	2533	6374301	87.70374
Guinness Nigeria PLC	GUINNESS	6398055	88.14799
Anhui Gujing Distillery Co.	200596	6026691	88.84058
Ambra S.A.	AMB	B0FBYX8	88.89040
Takara Holdings Inc.	2531	6870382	89.52590
Grupo Modelo SAB de CV	GMODEL O	2380539	89.68033
DOM-Brauerei AG	SBF	4845605	90.02971
Xinjiang Hops Co Ltd	600090	6012753	90.53390
Foster's Group Ltd (Formerly Foster's Brewing Group Ltd)	FBRWY	2359926	90.86364
Corby Distilleries Ltd.	CDL	2223708	91.32476
INBEV(frmly INTERBREW)	INB	4755317	91.62150
Vranken Pommery Monopole	VRA	5438435	92.09989
Magnotta Winery Corp	MGN	2556976	96.29379
Redhook Ale Brewery, Inc.	HOOK	2723350	96.80251
Badel 1862 D.D.	BD62-R-A	5020199	96.99850
CHALLENGER WINE TRUST (formerly CHALLENGER BESTON WINE TRUST	CWT	6161912	97.03770
The Boston Beer Company, Inc.	SAM	2113393	97.25343
CBR Brewing Co. Inc.	CBRAF	2290605	97.37711
Pernod Ricard	RI	4682329	98.73267
Vina Concha Y Toro S.A.	VCO	2939469	98.75568
Shaw Wallace & Co Limited	501379	6800691	99.71362
Dynasty Fine Wines Group Ltd	00828	B05M185	99.81983
Asia Pacific Breweries	APB	6556400	99.89271
RUSSELL BREWERIES INC	RB	B1G6FP8	99.98664

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360 Global Wine Co	TSIXQ	B108F83	100.00000
Asconi Corp.	ASCD	2659303	100.00000
ATLANTIC WINE AGYS INC	AWNA	2449032	100.00000
Blavod Extreme Spirits PLC	BES	3016402	100.00000
Bodegas Riojanas	RIO	5340574	100.00000
Boutaris & Son Holdings	MPK	4115030	100.00000
Champagne Indage Ltd	522059	B03HPY6	100.00000
COMPANIA INDUSTRIAL CERVECERASA	CVZA	2200648	100.00000
Cosentino Signature Wines plc	MCOZ	B0PFWS1	100.00000
DELEGAT'S GROUP LTD	DGL	B11LJF6	100.00000
Federico Paternina SA	PAT	5536715	100.00000
Frederick Brewing Co.	FRBW	B019C43	100.00000
GOLDEN GUINEA BREWERIES	GGB	6376891	100.00000
Guinness Anchor Berhad	GUINNESS	6397803	100.00000
Independence Brewing Co.	IBCO	2420866	100.00000
Kingway Brewery Holdings Limited (formerly Guangdong Brewery	00124	6018148	100.00000
Koninklijke Grolsch NV	GROL	4384283	100.00000
Kook Soon Dang Brewery	43650	6285920	100.00000
Laroche	ALLAR	B0YMVC0	100.00000
Laurent Perrier	LPE	5700952	100.00000
Lombard et Medot	MLCAC	5646971	100.00000
McGuigan Simeon Wines Ltd (formerly BRIAN MCGUIGAN WNS)	MGW	6130677	100.00000
NIGERIAN BREWERIES	NB	6637286	100.00000
Remy Cointreau	RCO	4741714	100.00000
Societe des Produits Marnier Lapostolle	MALA	B02SRX3	100.00000
Tsingtao Brewery Co	TSGTY	2898162	100.00000
United Spirits Limited (Formerly McDowell & Company Limited)	532432	6576992	100.00000
Willamette Valley Vineyards Inc.	WVVI	2653907	100.00000
Diageo plc	DEO	2144724	100.11305

* Indicates value derived from less than three years of data.

GAMBLING (Three year average percentage of revenue: 10%)**S&P 500 COMPANIES**

Entity_name	TICKER	SEDOL	PERCENT
Harrah's Entertainment, Inc.	HET	270564 8	81.11636

S&P 1500 COMPANIES

Entity_name	TICKER	SEDOL	PERCENT
Monarch Casino & Resort, Inc.	MCRI	259919 7	56.07382
Boyd Gaming Corp.	BYD	211723 2	74.48084
Harrah's Entertainment, Inc.	HET	270564 8	81.11636
Pinnacle Entertainment, Inc.	PNK	243222 5	84.96834
Scientific Games Corporation	SGMS	291929 0	90.3307
Multimedia Games, Inc.	MGAM	290085 2	99.56151
Shuffle Master, Inc.	SHFL	280598 0	99.93409
WMS Industries Inc.	WMS	293145 4	100

OTHER COMPANIES

Entity_name	TICKER	SEDOL	PERCENT
PIA CORP	4337	6430946	10
Maxxam Inc.	MXM	2547271	12.66784
Joytoto Co.	044370	B0WP0F7	12.9398
Eumundi Group Ltd (formerly EUMUNDI BREWING GROUP LTD EBG)	EBG	6308623	18.58282
Resorts World Berhad	RESORTS	B1VXKN7	19.65013
FUN Technologies Inc	FUNTF	B114RV7	20.00001
Newmarket Investments PLC	NWN	0128850	21.90519
Berjaya Land Bhd.	BJLAND	B0RY9Y1	22
InQBate Corp	INQB	B1FSDW8	25.59402
Media Corporation plc	MDC	0052830	26.17796
Tanjong Public Limited Company	TNJ	0872232	29.56139
Firich Enterprises Co. Ltd.	8076	6714781	30.87062
Icahn Enterprises LP	IEP	2023975	38.51818
GungHo Online Entertainment Inc	3765	B064D84	40
SOCIETE FERMIERE DU CASINO MUNICIPAL DE CANNES	FCMC	4178408	42.80135

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MGM MIRAGE	MGM	2547419	44.15311
Olympia Industries Berhad	OLYMPIA	B1V74R1	46.89162
Archon Corporation	ARHN	2771070	46.89794
Riviera Holdings Corp.	RIV	2083151	48.37086
Wynn Resorts Ltd	WYNN	2963811	49.73432
Gamingking plc (formerly Thebiz.com plc)	G GK	0535052	50.99997
Transact Technologies, Inc.	TACT	2893974	51.60354
Metroplex Berhad	MLXBF	B0J2KH3	51.91525
Las Vegas Sands Corp	LVS	B02T2J7	55.28493
LASSETERS INTERNATIONAL HOLDINGS LTD	Lasseter	B0149C5	56.18287
SOCIETE ANONYME DES BAINS DE MER ET DU CERCLE DES ETRANGERS A MONACO (S.B.M.)	BAIN	4184706	59.80425
SKY CITY ENTERTAINMENT GROUP (Formerly Sky City Ltd)	SKC	6823193	59.94792
Mid-State Raceway, Inc.	MRWY	B019F00	61.07989
Littlefield Corp.	LTFD	2042721	61.45778
WPT Enterprises, Inc.	WPTE	B016DD0	62.37311
Elsinore Corp.	ELSO	2038399	64.55267
Manila Jockey Club Inc *MJC	MJC	6562322	65.15072
Boldt SA	BOLD	2092254	65.61713
Rank Group plc	RNK	B1L5QH9	68.60161
Lottomatica SPA	LTO	B0V3WR8	68.99002
BGI Inc	BGII	2703051	71.11454
Alphameric PLC	ALM	0022189	72.08019
Sun International Ltd (formerly Kersaf Investments Ltd.)	SUI	B0KS490	72.39972
Century Legend Holdings Ltd (Formerly Fortei Holdings)	00079	B1GHRM2	74.4543
Parlay Entertainment Inc.	PRYNF	2402938	74.60015
MI Developments Inc	MIM	2984920	76.39039
Wells-Gardner Electronics Corp.	WGA	2947741	77.39339
Trump Entertainment Resorts Inc	TRMP	B08F5H8	79.78857
Florida Gaming Corp.	FGMG	2307505	80.24516
Westwood Group Inc	TWDG	B03WFK7	80.93302
Groupe Partouche	PARP	7722006	80.95292
Progressive Gaming International Inc	PGIC	2608220	81.03892
YooMedia plc	YOO	0109101	81.19274
MTR Gaming Group, Inc.	MNTG	2972679	81.2794
ESTORIL SOL	ESO	4310363	81.98129
Zone 4 Play, Inc.	ZFPI	2159148	82.36132
International Thoroughbred Breeders, Inc.	ITGB	2474119	83.1392
Ameristar Casinos, Inc.	ASCA	2041717	83.4729
Canterbury Park Holding Corp.	ECP	2586865	83.59996
Magna Entertainment Corp.	MECA	2555724	83.81417
Concorde Gaming Corp	CGAM	B019JQ4	83.85282
FLUXX AG	FXXN	5779918	83.9312
Full House Resorts, Inc.	FLL	2357566	84.23653
Churchill Downs, Inc.	CHDN	2194105	84.27212
SEGA SAMMY HOLDINGS INC.	SGAMY	B034DM1	85.00691
Empire Resorts, Inc.	NYNY	2771757	86.81683
Century Casinos, Inc.	CNTY	2022239	87.09557

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Gaming Partners International Corp.	GPIC	2694694	87.5631
Nevada Gold & Casinos, Inc.	UWN	2421137	88.5429
Penn National Gaming, Inc.	PENN	2682105	89.25291
Global Technologies, Ltd.	GTLL	2307464	89.99892
EQUUS GAMING CO L P	EQUUS	2316749	90.10612
Dover Downs Gaming & Entertainment, Inc	DDE	2857486	90.32359
Tabcorp Holdings Ltd	TABCY	2424857	91.39629
Philippine Racing Club	PRC	6687560	91.53427
Interactive Systems Worldwide, Inc.	ISWI	2475435	91.62539
bwin Interactive Entertainment	BWIN	5934999	91.87858
PHUMELELA GAMING & LEISURE LTD	PHM	6528551	93.53699
Olympic Entertainment Group AS	OEG1T	B1FXQQ8	93.7565
Great Canadian Gaming Corporation	GC	2380573	93.83897
Regency Entertainment SA.	HYATT	5768585	95.71217
Southwest Casino Corp.	SWCC	B01D6J8	96.45094
Trans World Corporation	TWOC	B00N2H9	97.83058
Sankyo Co. Ltd. (OTC)	6417	6775432	98.46523
Elixir Gaming Technologies, Inc.	EGT	2664589	98.82073
Global Casinos, Inc.	GBCS	2420424	99.00407
NagaCorp Ltd.	03918	B1FSSM3	99.04816
Youbet.com, Inc.	UBET	2988193	99.15431
Chartwell Technology Inc.	CWH	2203584	99.71999
Berjaya Sports Toto BHD	BSTB	6331566	99.81827
Las Vegas From Home.com Entertainment Inc.	LVH	2092492	99.97276
GAMING & ENTMT GROUP INC	GMEI	2332024	99.97629
888 Holdings PLC	888	B0L4LM9	99.98201
Call Now, Inc.	CLNW	2868198	99.9869
Advanced Resouces Group Ltd	AVRG	2054221	100
ANGELCITI ENTMT INC	AGCI	B02P9N8	100
Arena Leisure plc	ARE	0021926	100
Aristocrat Leisure Ltd.	ALL	6253983	100
Automatic Systems Ltd	ASL	6060008	100
Bally Technologies, Inc	BYI	2380818	100
Bet-at-home.com AG(frmlly ARTUS CAPITAL AG)	ACX	B05GS53	100
Boss Media AB	BOSS	5977682	100
CryptoLogic Ltd (formerly CryptoLogic Inc)	CRYP	B1YBYN6	100
Dreamgate Corporation BHD	DGATE	6731036	100
Ebet Ltd	EBT	6169411	100
Escor Casinos & Entertainment SA (frmlly Escor AG)	ESRI	4411244	100
Fortunet Inc	FNET	B0VLM72	100
GameTech International, Inc	GMTC	2128568	100
Gaming VC Holdings SA	GVC	B04ZR32	100
GREAT AMERN FINL CORP	GAFL	2575528	100
IG Group Holdings PLC	IGG	B06QFB7	100
Innovative Gaming Corporation of America	IGCA	2983466	100
Inspired Gaming Group PLC	INGG	B155L69	100
Ladbrokes plc	LDBKY	B12WJW5	100
Lasseters Corp (formerly GOCORP Ltd)	LAS	6246433	100

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Leisure & Resorts World Corporation	FER	6185600	100
Leisure Time Casinos & Resorts	LTCR	2447081	100
LOTTERY & WAGERING SOLUTIONS INC.	LWSL	2802873	100
Odyssey Gaming Ltd	ODG	6170695	100
OPAP (Greek Organisation of Football Prognostics SA)	OPAP	7107250	100
Paddy Power (frmrly. POWER LEISURE)	PAP	0258810	100
PartyGaming PLC	PRTY	B0B3SV4	100
Pipeline Technologies, Inc.	PLTN	2285021	100
Playtech Ltd	PTEC	B0ZC743	100
Q-SEVEN SYSTEMS IN	QSSY	2429517	100
Royal Highgate Ltd	ROY	7168859	100
Sea Star Capital PLC (formerly Megabet Ltd)	SEAS	7092118	100
Snai Spa (Formerly Trenno Spa)	SNA	4902469	100
Sportech plc	SPO	B28ZPV6	100
Sportingbet PLC	SBT	0951625	100
Table Trac Inc	TBTC	2738581	100
Thunderbird Resorts Inc.	BIRD	B03CSH5	100
Tipp24 AG	TIM	B0LNHP1	100
Webis Holdings PLC (formerly betinternet.com plc)	WEB	0412627	100
WILLIAM HILL PLC	WMH	3169889	100
WinWin Gaming Inc	WNWN	2276274	100
World Gaming PLC	WGMGY	2762847	100

* Indicates value derived from less than three years of data.

TOBACCO (Three year average percentage of revenue: 1%)**S&P 500 Companies**

Entity_name	TICKER	SEDOL	PERCENT
Lorillard, Inc.	LO		
Altria Group, Inc.	MO	2692632	50.3837
UST Inc.	UST	2922544	90.971
Reynolds American Inc	RAI	2429090	100

S&P 1500 Companies

Entity_name	TICKER	SEDOL	PERCENT
Lorillard, Inc.	LO		
Altria Group, Inc.	MO	2692632	50.3837
UST Inc.	UST	2922544	90.971
Schweitzer-Mauduit International Inc.	SWM	2782038	90.971
Reynolds American Inc	RAI	2429090	100
Alliance One International Inc	AOI	2269865	100
Universal Corp.	UVV	2923804	100

Other Companies

Entity_name	TICKER	SEDOL	PERCENT
T.S.L.	TSL	6902962	5.2684
Kothari Products Ltd	530299	6488406	97.2407
Carolina Group	CG	2842965	97.6481
WEST INDIAN TOBACCO COMPANY LTD	WCO	2957784	100
British American Tobacco Bangladesh Co Ltd	BATBC	6077859	100
British American Tobacco Ghana Ltd	BAT	6707059	100
British American Tobacco Kenya Ltd	BATK	6069287	100
COMPANIA CHILENA DE TABACOS S.A.(Formerly Empresas CCT S.A.	CCT	2299378	100
Compania Colombiana de Tabaco (Coltabaco)	COLTABAC	2207122	100
Duvanska Industrija Vranje	DIVR		100
Hrvatski Duhani D.D.	HRDH-R-A	7676523	100
Imperial Tobacco Group Plc	ITY	2478382	100
JT International Bhd (frm.RJ Reynolds Berhad)	JTINTER	6479994	100
Karelia Tobacco Company Inc	KARE	4483599	100
Khyber Tobacco Co Ltd	KHTC	6486637	100
Raghunath International Ltd	526813	B03F4W1	100
RDB INDUSTRIES LTD	526723	B03K6D1	100
RTCL LIMITED	531552	B03K6F3	100
Star Scientific Inc	STSI	2535663	100
Tabacalera Nacional SA *TANASA Peru	TANASAI1	2869447	100
TANZANIA CIGARETTE COMPANY LIMITED	TCC	6873659	100

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TVORNICA DUHANA ZAGREB D.D.	TDZ-R-A	5074787	100
Vector Group Ltd.	VGR	2515803	100

MILITARY CONTRACTS: WEAPONS *(Three year average percentage of revenue: 10%)*

S&P 500 COMPANIES

Entity_name	TICKER	SEDOL	PERCENT
L-3 Communications Holdings, Inc.	LLL	2247366	12.327
United Technologies Corp.	UTX	2915500	12.717
Textron Inc.	TXT	2885937	14.604
Rockwell Collins, Inc.	COL	2767228	14.609
ITT Corp.	ITT	2465760	15.775
Northrop Grumman Corp.	NOC	2648806	30.552
General Dynamics Corp.	GD	2365161	31.59
The Boeing Co.	BA	2108601	33.3
Raytheon Co.	RTN	2758051	34.823
Lockheed Martin Corp.	LMT	2522096	57.885

S&P 1500 COMPANIES

Entity_name	TICKER	SEDOL	PERCENT
CACI International, Inc.	CAI	2159267	10.755
FLIR Systems, Inc.	FLIR	2344717	10.866
L-3 Communications Holdings, Inc.	LLL	2247366	12.327
Textron Inc.	TXT	2885937	14.604
Rockwell Collins, Inc.	COL	2767228	14.609
ITT Corp.	ITT	2465760	15.775
ViaSat, Inc.	VSAT	2946243	20.55
DRS Technologies, Inc.	DRS	2258584	23.753
Northrop Grumman Corp.	NOC	2648806	30.552
General Dynamics Corp.	GD	2365161	31.59
The Boeing Co.	BA	2108601	33.3
Raytheon Co.	RTN	2758051	34.823
Alliant Techsystems Inc.	ATK	2017677	35.593
National Presto Industries, Inc.	NPK	2626802	47.582
Lockheed Martin Corp.	LMT	2522096	57.885

OTHER COMPANIES

Entity_name	TICKER	SEDOL	PERCENT
Xenonics Holdings, Inc.	XNN	2924283	10.225
Allied Defense Group, Inc.	ADG	2020396	10.994
Servotronics, Inc.	SVT	2797861	11.735
Mikros Systems Corp.	MKRS	2561594	12.324
Hi-Shear Technology Corp.	HSR	2424556	12.612
Metal Storm Limited	MTSX	2826765	12.991
Northstar Aerospace Inc.	NAS	2264859	13.318

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BAE Systems plc	BAESY	2307152	14.001
Aerosonic Corporation	AIM	2008778	14.036
ARGON ST Inc	STST	032R78	14.349
Raser Technologies, Inc.	RZ	2705530	14.531
LUNA Innovations Inc	LUNA	B142B50	14.865
Integral Systems, Inc.	ISYS	2321141	14.994
Nano-Proprietary Inc	NNPP	2762234	15.769
Valentec Systems Inc	VSYN	2586412	15.875
UQM Technologies, Inc.	UQM	2891246	16.882
Universal Display Corp.	PANL	2277880	17.123
Air T, Inc.	AIRT	2446668	17.227
EDO Corp.	EDO	2305509	17.647
VSE Corp.	VSEC	2926773	18.047
Solomon Technologies, Inc	SOLM	2351944	18.567
Breeze-Eastern Corp.	BZC	2902751	24.038
JMAR Technologies, Inc.	JMAR	2160388	24.394
AdZone Research, Inc.	ADZR	2769042	25.399
Beacon Power Corporation	BCON	2677941	26.882
Todd Shipyards Corp.	TOD	2895408	27.536
McDermott International, Inc.	MDR	2550310	48.89
Logistical Support Inc	LGSL	2260374	58.391
Tri-S Security Corporation	TRIS	B03DTZ3	58.563
SpaceDev, Inc.	SPDV	2255013	58.59
Irvine Sensors Corp.	IRSN	2801160	67.713
AeroVironment, Inc.	AVAV	B1P5YY8	78.264
CPI Aerostructures, Inc.	CVU	2431318	79.218
United Industrial Corp.	UIC	2917841	79.803
Envirokare Tech Inc	ENVK	2485326	82.792

NUCLEAR WEAPONS (*Three year average percentage of revenue: 5%*)

- According to ISS' Portfolio\$creener, no companies met this criteria at this time.

Appendix D—Reports from Investment Managers

The following reports with mutually satisfactory formats are expected from each of the investment managers retained by United Church Funds.

1. A statement at the end of each calendar year reaffirming the fact that no client of the firm is on a fee schedule which is lower than the fee schedule pertaining to United Church Funds.
2. A report on all trades on a daily basis.
3. A report covering all account transactions on a monthly basis.
4. A report showing all account holdings on a monthly basis.
5. A report detailing all appropriate portfolio analytics on a calendar quarterly basis.
6. A report on investment performance on a calendar quarterly basis in accordance with current standards established by the Association for Investment Management and Research.
7. A report showing the allocation of brokerage commissions and commission rates paid on a calendar quarterly basis. This report should indicate any “soft dollar” payments and any payments to affiliated organizations.

Appendix E Policies and Guidelines for Voting Proxies

1. Social Issues

The Corporate Social Responsibility Committee establishes policy guidelines for voting proxies on issues of social concern. The purpose of these guidelines is to encourage and support corporate policies and actions which promote human health and dignity, environmental integrity and moral responsibility.

Proxies on issues of social concern received from companies held in the portfolio of domestic managers are voted by the Pension Boards in accordance with the policy guidelines. Foreign managers are responsible for voting proxies of companies held in their portfolios using the Corporate Social Responsibility Committee's policies as guidelines, and they are responsible for reporting all votes to the Pension Boards. A record of all votes on issues of social concern is furnished to the Corporate Social Responsibility Committee twice each year.

2. Corporate Governance Issues

The Investment Committee establishes policy guidelines for voting proxies on corporate governance issues. A copy of these guidelines is included as pages 21 through 31. The purpose of these guidelines is to encourage and support corporate policies and actions which maintain or increase shareholder value. A copy of the policy guidelines on corporate governance issues is furnished to each equity manager.

Proxies on corporate governance issues received from companies held in the portfolios of domestic managers are voted by The Pension Boards in accordance with the guidelines unless the manager owning the security in its portfolio advises the Pension Boards of reasons to vote the proxy in some other way. When so advised, The Pension Boards will generally vote in accordance with the manager's recommendation. Foreign managers are responsible for voting proxies of companies held in their portfolios using the Investment Committee's policies as guidelines, and they are responsible for reporting all votes to The Pension Boards. A record of all votes on corporate governance issues is furnished to the Investment Committee once each year.

I. BOARD INDEPENDENCE & LEADERSHIP

A. BOARD SHAREOWNER ACCOUNTABILITY

1. Majority of Independent Directors

- a. We **support** boards where at least two-thirds of the director nominees can be identified as completely independent; if this threshold does not exist, we **oppose** individual non-independent directors.
- b. We **support** proposals seeking to increase the independence of the board.

2. Board Nominees Qualifications

- a. We **support** boards that are composed of qualified individuals who reflect a diversity of experience, gender, race, and age.
- b. We **support** proposals seeking to report on a corporation's efforts to increase board inclusiveness.

3. Separate Chair and CEO Positions

- a. We **support** proposals seeking to separate the positions of chairperson and CEO.
- b. We **support** proposals that call for an independent director to function as board chairperson.

4. Lead Director

In the case where the chairperson of the corporation is also the CEO, we **support** proposals that seek to install a totally independent lead director of the board.

5. Classified Boards

- a. We **oppose** the establishment of classified boards and support annual elections of all directors.
- b. We **support** proposals seeking the declassification of the board.

6. Complete Independence of Key Committees (Audit, Nominating and Compensation Committees)

- a. We **oppose** individual non-independent directors nominated to these three key committees.
- b. We **support** proposals seeking to increase the independence of these key committees.

7. Compensation Consultants

- a. We **support** proposals requiring fuller disclosure of all fees earned by the compensation consultant for all work with the company as well as the consultation regarding executive pay.
- b. We **support** proposals seeking the adoption of a policy that the corporation's independent compensation consultant should not receive fees in excess of 50% of fees earned for consultation regarding executive pay in order to retain independence.
- c. We **support** proposals requiring the compensation consultant to be hired independently by the compensation committee, not by management.

8. Director and Officer Indemnification and Liability Protection

- a. We **oppose** proposals that seek to limit or eliminate directors' and officers' liability for monetary damages for violating the duty of care.
- b. We **oppose** proposals that seek to expand indemnification coverage for intentional acts or criminal acts that are more violations of fiduciary obligation than mere negligence.

9. Size of Board of Directors

- a. We will **support** proposals to fix the size of the board at a specific, reasonably determined number of directors.
- b. We **oppose** proposals that seek to increase or decrease the size of the board without shareholder approval. We **oppose** proposals that seek to reduce the size of the board as a cost-cutting measure.

10. Mandatory Attendance of Directors

Absent compelling and stated reasons, we **oppose** individual director nominees who attended less than 75% of the board and committee meetings that they were scheduled to attend during the previous year.

11. Tenure and Retirement Policies

- a. We will consider proposals seeking to adopt director tenure policies on a case-by-case basis.
- b. We will consider proposals seeking to adopt director mandatory retirement policies on a case-by-case basis.

12. Limitations on Multiple Directorships

We **oppose** individual director nominees who face competing time commitments by serving on too many boards. This includes individuals with full-time jobs serving on more than 2 other boards, or other individuals serving on more than 4 boards.

13. Options Backdating

We **oppose** all directors who served as members of the compensation committee where a company has practiced illegal options backdating, and will consider voting against where the option backdating was not illegal and depending on the severity of the practices and the subsequent corrective action on the part of the board.

B. POLICIES FOR AUDITING FIRMS

1. Ratification of Auditing Firm

In most cases, we **support** proposals to ratify auditors. However, we **oppose** ratification if there is reason to believe that the independent auditor has rendered an opinion that is neither accurate nor indicative of the company's financial position.

2. No Consulting by Auditors

- a. We **support** proposals seeking the adoption of a policy that the corporation's independent auditors only provide audit-related services and not provide any other services.
- b. We **support** ratification of a corporation's selection of an auditing firm if that firm does not perform significant (50% of the auditing firm's annual fees) consulting services to the corporation.

C. BOARD COMPENSATION

1. Cash & Stock

We **support** reasonable director compensation packages that are a combination of cash and stock.

2. Mandatory Stock Ownership

- a. We **support** proposals that seek to require that board members own a meaningful position in company common stock, appropriate to their personal circumstances.
- b. We **oppose** proposals to establish minimum stock ownership requirements for directors.

3. Conflicts of Interest

We **support** proposals that seek to ensure that conflicts of interest do not occur with respect to a board member's personal, financial or professional interests, and that board members not serve as a consultant or paid advisor to the corporation. We **support** proposals seeking disclosure of directors' conflicts of interests.

4. Pension for Directors

We **support** proposals that seek to eliminate retirement benefits for non-employee directors.

II. SHAREOWNER RIGHTS

A. VOTING RIGHTS

1. Confidential Voting

We **support** proposals that seek to institute confidential shareholder voting procedures.

2. Independent Tabulation

We **support** proposals that seek to institute independent tabulation shareholder voting procedures.

3. Cumulative Voting

We **support** proposals seeking to institute cumulative voting procedures at a corporation.

4. Supermajority Voting Provisions

We **oppose** proposals that require a supermajority shareholder vote to approve mergers and other significant business combinations and **support** proposals that seek to lower or eliminate these provisions.

5. **Majority Voting for the Election of Directors**

We **support** proposals requesting that when permissible under state law, companies' charters and by-laws should provide that directors are to be elected by a majority of the votes cast. If state law requires plurality voting (or prohibits majority voting) for directors, boards should adopt policies asking that directors tender their resignations if the number of votes withheld from the candidate exceeds the votes for the candidate, and providing that such directors will not be re-nominated after expiration of their current term in the event they fail to tender such resignation.

6. **Supermajority Lock-In Provisions**

We **oppose** proposals seeking to adopt supermajority lock-in provision to change certain bylaw or charter provisions.

B. STOCK RELATED PROPOSALS

1. **Common Stock Issuance**

We will consider proposals seeking to increase the number of authorized shares of common stock on a case-by-case basis.

2. **Dual Class Capitalization**

We **oppose** the issuance of multiple classes of stock with unequal voting rights.

3. **Blank Check Preferred Stock**

We **oppose** the authorization or increase of blank check preferred stock.

4. **Share Repurchase Plan**

- a. We **support** proposals seeking the approval of a share repurchase plan in which all shareowners participate on equal terms.
- b. We **oppose** proposals seeking the approval of a share repurchase plan if the repurchase program is initiated as a takeover defense measure.

5. **Preemptive Rights**

We **support** the creation or restoration of preemptive rights and **oppose** proposals seeking their elimination.

C. OTHER SHAREOWNER RIGHTS

1. In-Person Annual Meetings

We **support** proposals seeking to affirm the continuation of in-person annual meetings.

2. Right to Call a Special Meeting

We **support** shareowners' rights to call a special meeting and **oppose** proposals seeking the elimination of this right.

3. Right to Act by Written Consent

We **support** shareowners' right to act by written consent and **oppose** proposals seeking the elimination of this right.

4. Rotating Sites

We **support** proposals seeking to alternate the location of a corporation's annual meeting.

III. EXECUTIVE COMPENSATION & STOCK OPTION PLANS

A. EXECUTIVE COMPENSATION

1. Disclosure of Director and Executive Officer Compensation Levels

We **support** proposals requesting additional disclosure of the company's compensation philosophy, and executive officer and director pay information.

2. Shareholder Approval of Director/Executive Compensation

- a. We **support** proposals seeking to bring executive compensation packages to shareholders for ratification.
- b. We **support** proposals seeking shareholder approval of supplemental executive retirement plans.
- c. We **support** proposals seeking shareholder approval of any extraordinary pension benefits for senior executives under the company's supplemental executive retirement plans.
- d. We **support** resolutions seeking to eliminate inappropriate perquisites granted to retired executives and directors on a case-by-case basis.

3. Performance-Based Incentive Plans

- a. We **support** proposals seeking to link executive pay with corporate performance, when performance is measured against indicators such as comparable peer groups and objective industry benchmarks.
- b. We **support** proposals that request the board adopt a policy that executive compensation be determined in the future without regard to any amount of "periodic pension income" from a defined-benefit plan that accounting rules may require the company to treat as an addition to its income.

4. Performance Vesting

We **support** proposals that ask directors to adopt a policy that a majority of future equity compensation grants to senior executives be shares of stock that require the achievement of performance goals as a prerequisite to vesting (“performance-vesting shares”).

5. Link Executive Pay to Social Performance

We **support** proposals seeking to review, report on, or link executive compensation to non-financial criteria, including social and environmental goals.

6. Golden Parachutes: Limitations & Shareholder Approval

- a. We **support** golden parachute severance agreements that are not in excess of one year’s cash base salary.
- b. We **support** proposals asking the board to seek shareholder approval for future executive severance agreements that provide benefits that exceed a specified threshold of 2.99 times the sum of the executive’s base salary plus bonus for the most recent year.

7. Limit Director/Executive Pay

We will consider proposals of this nature on a case-by-case basis.

8. Executive Bonus Plans

We will consider proposals and amendments to cash bonus plans on a case-by-case basis. We will generally vote against proposals to approve or amend cash bonus plans if the size of the bonus pool is not disclosed.

9. Recoup Compensation of Payments under Restatement

We will **support** proposals that ask the board to adopt a policy (in the bylaws if practicable) whereby, in the event of a 4% or more negative restatement of earnings the board will recoup, to the fullest extent practicable, for the benefit of the Company, all performance-based bonuses, awards and or severance agreements that were made to senior executives based on having met or exceeded specific performance targets to the extent that the specified performance targets were not met after considering the impact of negative restatements.

B. STOCK OPTION PLANS

1. Shareholder Approval of Stock Option Plans

- a. We **support** proposals seeking greater disclosure of stock option plans.
- b. Generally we **support** proposals seeking the ratification of stock option plans by shareholders.

2. Plans That Exceed a Dilution Level Threshold

We **oppose** proposals seeking to adopt or amend stock option plans if the company's equity overhang, including from this proposal, exceeds the 75th percentile of its peer group.

3. Plans That Allow Discount Exercise Pricing

We **oppose** proposals seeking to adopt or amend stock option plans that provide for the practice of discounting exercise pricing.

4. Plans That Allow Replacing or Re-pricing Underwater Options

- a. We **oppose** proposals seeking to adopt or amend stock option plans that provide for replacing or re-pricing of underwater options.
- b. We will **support** proposals that require shareholder ratification in order to replace or re-price underwater stock options.

5. Plans That Allow Pyramiding

We **oppose** proposals seeking to adopt or amend stock option plans that provide for the practice of pyramiding.

6. Plans That Allow Reload Options

We **oppose** proposals seeking to adopt or amend stock option plans that provide for the practice of reloading.

7. Plans That Allow Accelerated Vesting

We **oppose** proposals seeking to adopt or amend stock option plans that allow the practice of accelerated vesting.

8. Stock Option Holding Periods

- a. We **support** proposals that request the Compensation Committee of the Board of Directors adopt a policy that requires senior executives to retain a significant percentage (at least 75%) of shares acquired through equity compensation programs during their employment.
- b. We **support** proposals seeking a report to shareholders regarding the policy.

9. Plans That Include an Evergreen Feature

We **oppose** proposals seeking to adopt or amend stock option plans that include an evergreen provision.

10. Company Provides Loans to Allow Exercise of Options

We **oppose** proposals seeking to adopt or amend stock option plans if a corporation provides loans to employees or directors to enable the exercise of options.

11. Stock option Plans Developed/ Administered by a Compensation Committee that Includes Non-Independent Directors

We will **oppose** stock option plans if non-independent directors serve on the Compensation Committee of the Board of Directors.

12. Expense Future Stock Options

- a. We **oppose** proposals seeking to adopt or amend stock option plans at companies that do not report options as a compensation expense.
- b. We **support** proposals that seek to require the company to report stock options as a compensation expense.

13. Plan Is Limited To A Small Number Of Senior Employees

We **support** resolutions that seek to limit stock options granted to a single individual to no more than 5% of the total options granted in a single year, and the group of senior executive officers to no more than 10% of the total options granted in a single year.

14. Employee Stock Ownership Plans (ESOPs)

We **support** proposals seeking to create an Employee Stock Ownership Plan, except in cases where they are being used as anti-takeover mechanisms.

15. Advisory Vote on Compensation Committee Reports

We **support** proposals asking the board of directors to adopt a policy that shareholders be given the opportunity at each annual meeting of shareholders to vote on an advisory (non-binding) resolution, to be proposed by management, to approve the report of the Management Development and Compensation Committee set forth in the proxy statement. The policy should provide that appropriate disclosures will be made to ensure that shareholders fully understand that the vote is advisory; will not affect any person's compensation; and will not affect the approval of any other compensation-related proposal submitted for a vote of shareholders at the same or any other meeting of shareholders.

IV. CORPORATE ACTIONS

A. RESTRUCTURING

1. Mergers, Acquisitions, Restructuring, Recapitalization, Spin-Offs, Sales of Assets

We will consider proposals of this nature on a case-by-case basis.

B. REINCORPORATION AND THE DELAWARE OPTION

1. Reincorporation

- a. We generally **support** proposals seeking the ratification of reincorporation for valid business reasons and if the reincorporation is in a state considered more "shareowner friendly."
- b. We **oppose** proposals seeking the ratification of reincorporation if they are to a state that provides for more takeover defense measures.

- c. We **oppose** proposals seeking reincorporation to an offshore location from the United States
- d. We **support** proposals to change the company's jurisdiction of incorporation from an offshore location to a state in the United States

2. Opt-Out Proposals

We **support** proposals seeking to opt out of a state anti-taker statutory provision (including the Delaware takeover law) for valid business reasons.

C. TAKEOVER DEFENSES

1. Payment of Greenmail

We **oppose** the payment of greenmail and **support** proposals seeking to institute anti-greenmail provisions.

2. Poison Pills Shareholder Rights Plans

- a. We **oppose** management proposals that seek to approve or create a poison pill.
- b. We **support** shareholder proposals that ask a corporation to redeem its poison pill or submit its poison pill for shareholder ratification.

3. Fair Price Provisions

We **support** proposals seeking to adopt a fair price provision, as long as the shareholder vote requirement imbedded in the provision is not a supermajority vote.

4. Limited Use of and Shareholder Approval of Targeted Share Placements

- a. We will consider management proposals seeking the limited use of targeted share placements on a case-by-case basis.
- b. We **support** shareholder proposals requesting that a corporation first obtain shareholder authorization of targeted share placements.

D. CHARTER AND BYLAW AMENDMENTS

1. Charter Amendments (resulting in reduction of shareholders' rights)

We **oppose** proposals that seek to amend the corporation's certificate of incorporation if an amendment would adversely affect shareholder rights.

2. By-Law Changes-Requiring a Supermajority Vote

We **oppose** proposals that seek to require a supermajority shareholder vote to approve charter and bylaw amendments.