Longwood University Foundation, Inc.

STATEMENT OF MANAGEMENT
and
INVESTMENT OBJECTIVES

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I. Purpose

The purpose of the Longwood University Foundation Investment Policy is to articulate and document:

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II. Management Objective

The overall objective of the Longwood University Foundation investment policy is to provide a long term steady and consistent spending stream for the support of Longwood University programs, through preserving and enhancing the real (inflation adjusted) purchasing power of Foundation assets.

III. Spending Policy (Adopted 2/96 and amended 10/97, 9/98, 12/2002)

Annual distributions from the true and quasi-endowment funds held by the Longwood University Foundation (for at least 12 quarters) will be 4% of the average portfolio market value for the preceding 12 quarters ending September 30th of the most recent calendar year.

In addition, a 1% administration fee of the June 30th market value.

IV. Investment Objectives

A. Increase the long-term purchasing power of portfolio assets by generating a long-term rate of return that exceeds the spending rate plus the annualized consumer price index (CPI) inflation rate on a five year moving average.

B. Diversify portfolio to reduce exposure to a large and sudden decline in any one sector of the capital markets. The portfolio should be diversified by (1) asset class, (2) investment style and (3) manager.

C. The total portfolio is expected to exceed the return of a weighted composite market index over a market cycle (3-5 years).

D. Optimize return consistent with prudent risk.

V. Asset Allocation

Long-term strategic asset allocation for the portfolio is recommended by the Finance Committee and approved by the Longwood University Foundation, Inc. Board of Directors, after careful consideration of the spending needs of Longwood University, review of capital market return history and expected return, as well as the risks of various asset classes. (Risk/return characteristics of the current allocation were modeled by Russell Investment Group).

Asset Class	**Target**
US Large Cap Equities	30%
US Small Cap Equities	5%
International Equities	15%
Fixed Income	25-29%
Hedge Funds	10%
Real Estate	10%
Short Term Cash	1 - 5%
TOTAL	100%

Over the long-term, target allocation will be maintained. It is understood that short-term deviations will occur as a result of market impact and cash flow. Actual asset allocation will be monitored quarterly, and rebalanced back to target when allocations deviate 5% (+ or -) from the target allocation.

VI. Short Term Cash

A. The Treasurer shall establish such short-term cash accounts as necessary to provide liquidity sufficient to meet short-term withdrawal needs of the Longwood University Foundation.

B. Short-term accounts will receive earnings from investment accounts, gifts from donors, construction funds and disburse spending according to the policies of the Longwood University Foundation, Inc.

C. The percentage of total Foundation assets held in short-term funds should be as low as possible between 1-5%, but holdings should be sufficient so that requests for withdrawals from investment accounts are infrequent. Ordinarily, short-term funds should contain approximately 1-2 percent of Foundation assets.

D. The investment objective for short-term funds is to outperform .25 percent (.25 basis points) per annum (net of fees) the 91-day T-Bill index.

1. Money market instruments as well as bonds may be used in the short-term fund, but equities and convertible bonds are excluded. Since the fund is designed as a stable, temporary repository for funds, its average duration should never be greater than 12 months.

2. Because of the short-term fund's stability and liquidity requirements, its investments are permissible only within securities with certain minimum credit standards. These are: (1) obligations of, or guaranteed by, the US government; (2) corporate bonds rated "A" or higher by Moody's or Standard & Poor; (3) commercial paper rated Prime-3 or higher by Moody's Investors Service; (4) negotiable certificates of deposit, bankers' acceptances and floating rate notes issued by U.S. chartered banks rated B or higher by Thompson's Bankwatch, Inc.; (5) interest rate futures contracts, providing that such contracts are used only for the purpose of duration management; (6) repurchase agreements secured by securities qualifying by the guidelines above; (7) money market funds from commercial banks and other major investment advisors containing securities qualifying by the guidelines above.

3. In general, the short-term fund shall be well diversified with respect to type, industry and issuer in order to minimize risk exposure. However, obligations issued or guaranteed by the U.S. Government may be held without limitation.

VII. Investment Implementation

A. Russell Investment Group will invest portfolio assets (with the exception of short-term cash) as noted below.

B. Investment assets will be fully invested at all times.

C. No single security in the portfolio will exceed 5% of the total assets of the portfolio, with the exception of US Government and US Government Agency securities.

D. The portfolio will not own more than 5% of the outstanding voting stock of any company or 5% of the outstanding debt of any company.

E. The portfolio will be managed in accordance with specific guidelines found in each individual Russell fund prospectus and the Russell Investment Group will bring to the attention of the Finance Committee any changes in prospectus policy.

VIII. Investment Fund Structure

Target asset allocation will be achieved by investing in several diversified multi-style, multi-manager investment funds. Investment vehicle and objective follow:

Asset Class	Fund	Description
US Large Cap Equities	Equity Q Fund	To provide for growth in assets by investing primarily in US based common stocks of medium and large capitalization companies while maintaining volatility and diversification similar to the Russell 1000 Index
US Small Cap Equities	Equity II Fund	To provide for growth in assets by investing primarily in US based common stocks of small and medium capitalization companies while maintaining volatility and diversification similar to the Russell 2000 index
International Equities	International Fund	To provide for growth in assets by investing primarily in equity securities issued by companies domiciled outside the US and provide diversification for US based investments
Fixed Income	Fixed Income I Fund	To provide diversification against equities and a stable level of cash flow by investing primarily in investment grade fixed-income securities.
Real Estate	Real Estate Securities Fund	Invests primarily in the equity securities of companies in the real estate industry (REITS).

IX. Investment Performance Objectives

The objective of each Russell Fund is to exceed the return of its corresponding Benchmark and attain above median performance in a universe of professionally managed funds with similar characteristics.

Investment performance of the portfolio will be evaluated relative to the following custom benchmark over a full market cycle (i.e., generally five years or longer).

Total Fund

The total fund return shall exceed the return of a weighted Composite Market Index. (Weight determined by target allocation to the corresponding asset class)

Benchmark	***Asset Class***	***Russell Fund***	***Weight***
Russell 1000 Index	U.S. Large Cap	Equity Q	35%
Russell 2000 Index	U.S. Small Cap	Equity II	5%
Solomon Brothers Broad Market Index	International	International	15%
Lehman Brothers Aggregate Bond Index	Fixed Income	Fixed Income I	30-35%
National Association of Real Estate Investment Trust Index	Real Estate	Real Estate Sec.	10%
TOTAL			95 - 100%

X. Investment Documentation and Reporting

Statements will be provided monthly to the Treasurer. Analytical data will be provided quarterly to the Finance Committee summarizing:

- time-weighted rates of return for the quarter and trailing periods for the total portfolio and individual funds
- asset allocation of total portfolio
- market value reconciliation for the period for the total portfolio
- strategy and characteristics of each fund

Audited financial statements for each investment fund will be supplied annually.

Russell Investment Group will assume responsibility for voting proxies associated with its funds.

Russell Investment Group will meet periodically with the Finance Committee to review the portfolio and its investment results.