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## **NET FOUNDATION FOR RADIO, INC. INVESTMENT POLICY**

### ***Investment Objectives and Goals***

The objectives of the investment policy are to: (1) provide a reasonably stable, growing and predictable income stream in the form of dividends, interest and realized gains sufficient to allow distribution of income to meet regulatory minimums and support annual educational and variety programming and extraordinary capital expenditures; and (2) protect investment principal to ensure long-term viability and growth of the endowment. Capital appreciation and liquidity are secondary objectives.

The investment goal is to realize a real total annual return of 5-7% based on market value plus a nominal return which reflects inflationary expectations. Adjustments to the required investment return will be adopted on the conditions of the market and consistency with investment objectives.

### ***Investment Philosophy***

The management philosophy to be followed should be a disciplined and consistent one, capable of accommodating all those events and occurrences considered reasonable and probable. Extreme positions and opportunistic styles do not fit the general philosophy and tone of the NET Foundation for Radio and are not acceptable.

The purpose of fixed income investments is to provide a highly predictable and dependable source of income, to reduce the volatility of the total portfolio market value and, when appropriate, to provide funds for alternative investments.

The purpose of equity investments is to provide current income, growth of income and appreciation of principal with the recognition that this requires the assumption of greater market volatility and risk of loss.

### ***Essential Concepts***

Balanced portfolio oriented toward total return, and long term growth.

### ***Asset Allocation***

The fixed income component of the portfolio shall be maintained at a proportion ranging from not less than 25% to not more than 45% of current market value.

The equity component of the portfolio shall be not less than 55% and not more than 75% of current market value.

Allocation of assets within the above limits shall be based primarily on relative attractiveness and the investment/economic prospects over a three to five year period.

### ***Rebalancing***

The portfolio will be rebalanced annually.

### ***Measurement Period***

Rolling 5-year average.

### ***Investment Guidelines***

Fixed Income Holdings:

Except for U.S. Treasury and Agency obligation, the fixed income portion of the portfolio shall not contain more than 10% from any given issuer valued at market.

Fixed income holdings shall emphasize intermediate maturity bonds. No bond with a maturity exceeding 12 years shall be held.

Bonds purchased or owned must be rated Baa/BBB or better. The average quality rating of the fixed income portion of the portfolio should be greater than "A" rated.

Fixed income investments are limited to the following investment categories: money market instruments, certificates of deposit, repurchase agreements, banker's acceptances, commercial paper, money market mutual funds, treasury bills and notes, federal agency securities, investment grade corporate bonds and fixed income mutual funds.

Equity Holdings:

Equity securities shall mean common stocks or common stock mutual funds listed on a major exchange to take advantage of listing requirements, disclosure rules, and to improve liquidity. Preferably, we would like funds in the top 100 in their respective category using Bloomberg Market Guides or a similar measuring entity.

A high level of diversification across industry and individual holdings will be maintained. No single mutual fund shall exceed 15% of the market value of the investment portfolio. No single international mutual fund shall exceed 10% of the market value of the investment portfolio. No single common stock shall exceed 10% of the market value of the investment portfolio. No single international common stock shall exceed 5% of the market value of the investment portfolio.

Companies whose securities are held should exhibit strong financial position, and have a record of profitable operating results. The Directors have a preference for high quality dividend paying securities.

### ***Prohibited Investments***

Warrants, commodities, margin purchases, oil or gas venture rights, letter stock, options used for hedging, real estate owned directly, and illiquid real or tangible property, or any investments violating the New Prudent Investor Rule (1992).

### ***Spending Policy***

To manage grant and expense payments to allow for endowment growth. Dividends, interest income and capital gains are reinvested. Principal is to remain invested except those portions liquidated in predetermined amounts on a predetermined schedule to provide for NET Foundation for Radio operating expenses and cash flow.

### ***Administration and Evaluation***

The Board of Directors will approve the investment policy. Any changes must be submitted in writing and approved by the Board.

Performance under this investment policy related to goals, objectives and allocations will be monitored by the finance committee. Annual evaluations will be provided by the finance committee to the Board.