June 2010

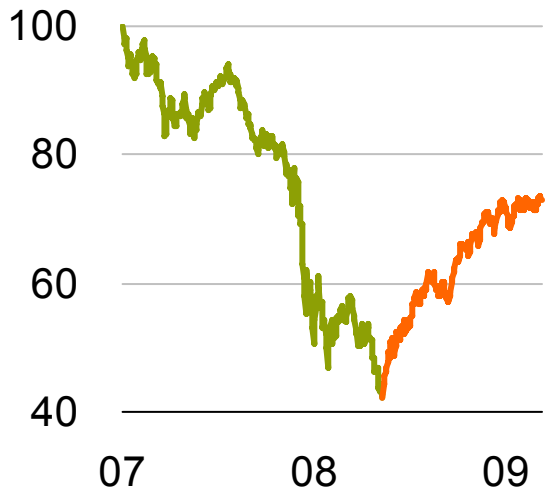
Spending Policies for Foundations

Bernstein does not provide tax, legal or accounting advice. In considering this material, you should discuss your individual circumstances with professionals in those areas before making any decisions.

The Current Philanthropic Landscape

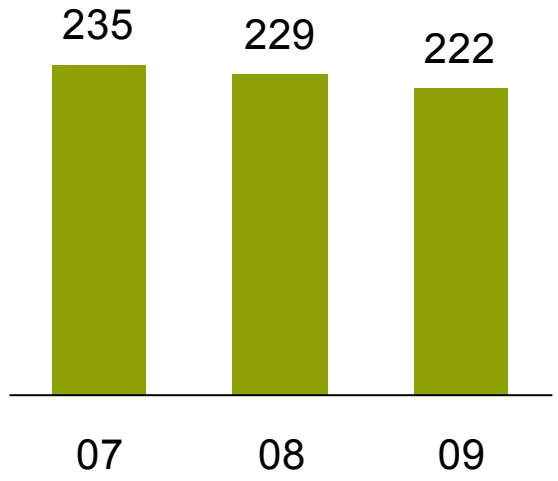
Asset Values Are Down

MSCI World: Growth of $100*
Oct 31, 2007–Dec 31, 2009 ($)



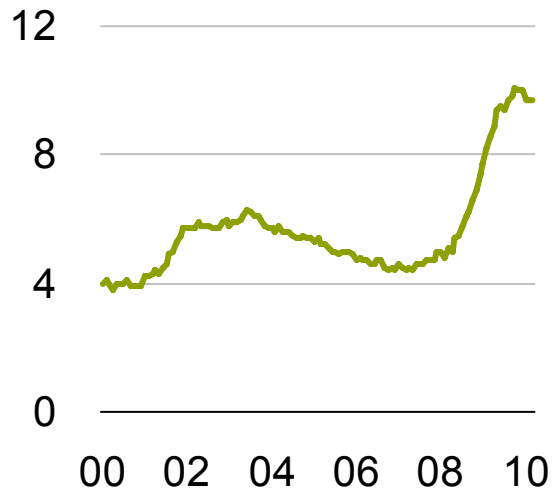
Contributions Are Down**

US$ Billions



Beneficiaries' Need for Charity Is Up***

US Unemployment Rate
Percent



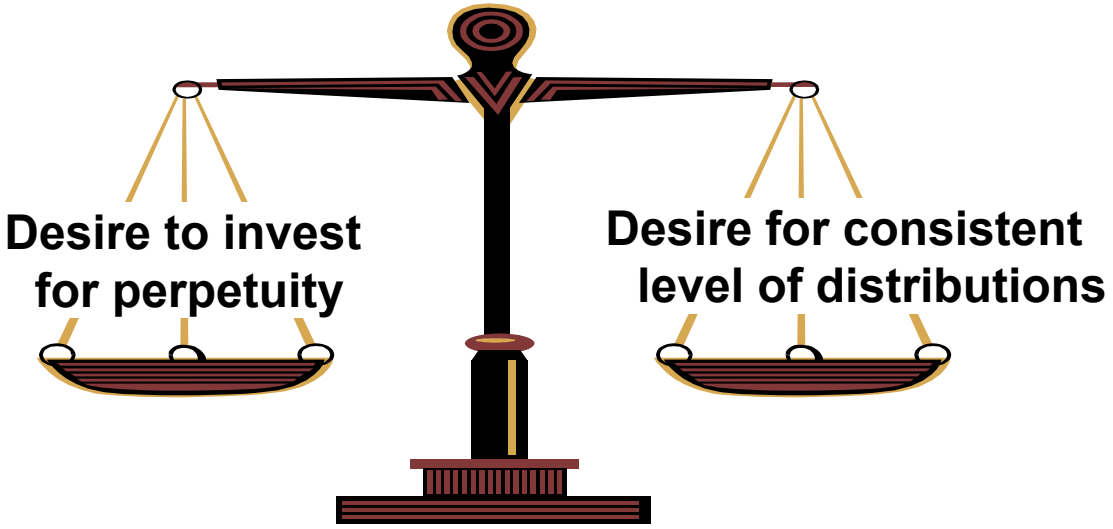
What should a philanthropic organization do?
"Should I spend through the economic downturn, or should I cut back?"

Past performance does not guarantee future results.
*Source: FactSet, Morgan Stanley Capital International (MSCI) and AllianceBernstein
**Source: *Center on Wealth and Philanthropy: Forecast for 2009*, by John J. Havens and Paul G. Schervish *Advancing Philanthropy*, January/February 2010. Cited 2009 data are the average of the low-growth ($221.06 billion) and high-growth ($223.13 billion) projections.
***Data through March 2010, seasonally adjusted
Source: US Bureau of Labor Statistics

The Need to Balance Conflicting Priorities

76% of foundations were formed to exist in perpetuity…but foundations are required by law to distribute 5% of assets each year

- The growth necessary to sustain a 5% spending rate and stay ahead of inflation requires a high allocation to equities…
- …But a high allocation to equities entails greater volatility of annual returns, and less consistent charitable distributions?



Source: AllianceBernstein

Potential Solutions

Key drivers of success in achieving objectives:

- **Investment Policy**
  - **Asset Allocation**

- Spending Policy
  - Seek to maximize longevity?
  - Seek to balance long-term growth with less volatile distributions?
  - Seek stable giving, even if it reduces longevity?

Source: AllianceBernstein

Asset Allocation Is the Key Determinant of Risk and Return

Compound Return Median Rolling 30-Year Period

February 1890–December 2009* (Percent)

Historically, at least 70% stocks has been needed to achieve perpetuity

Past performance does not guarantee future results.

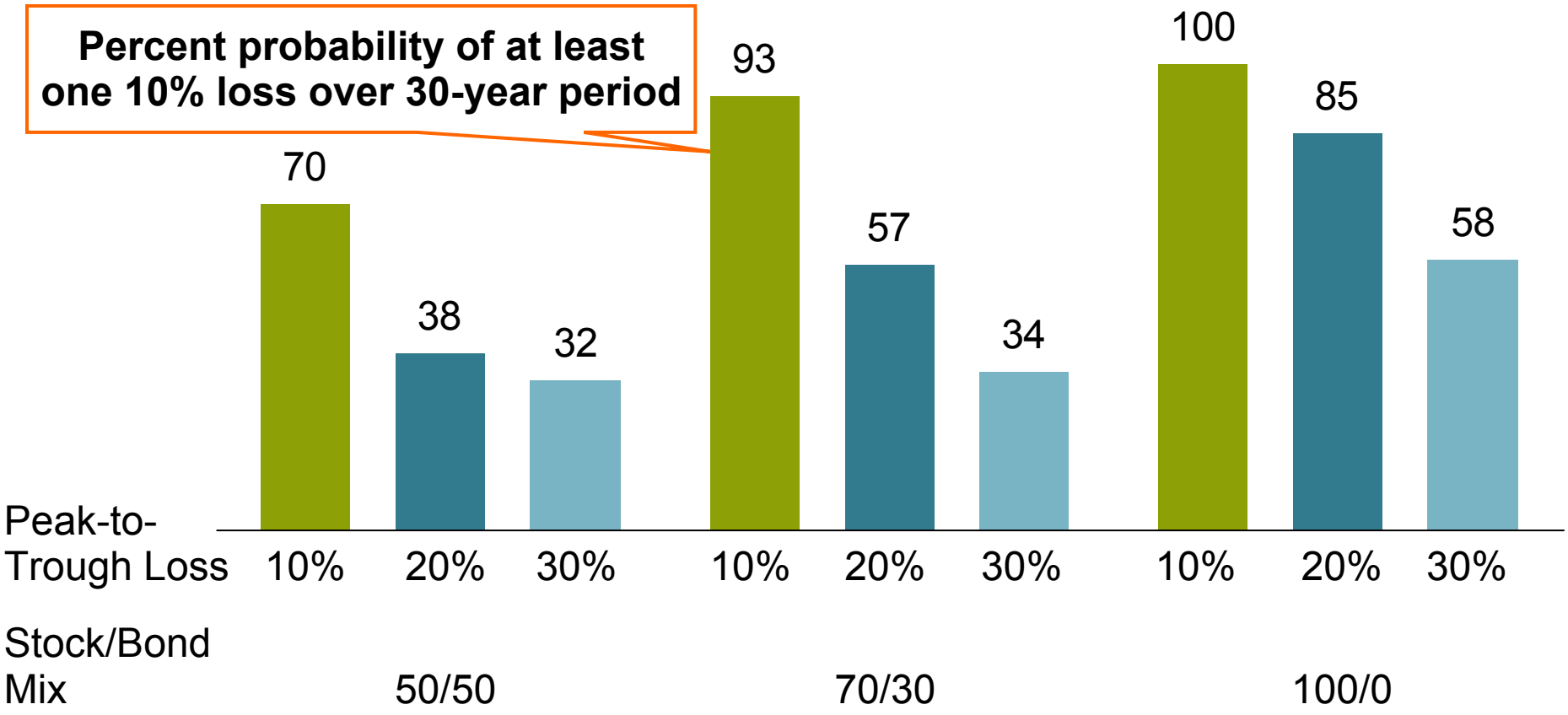
*Rolling 30-year periods start monthly. Number of rolling 30-year periods studied: 1,080. See note on Asset Allocation in Historical Studies in Appendix.

Source: Association of Small Foundations, 2009–2011 Foundations Operations and Management Report and AllianceBernstein analysis

But Higher Equity Allocations Increase Volatility

Historical Probability of Peak-to-Trough Losses

Rolling 30-Year Cycles*
February 1890–December 2009 (Percent)



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Potential Solutions

Key drivers of success in achieving objectives:

- Asset Allocation

- **Spending policy**
  - **Seek to maximize longevity?**
  - **Seek to balance long-term growth with less volatile distributions?**
  - **Seek stable giving, even if it reduces longevity?**

Source: AllianceBernstein

Quantifying the Opportunity: The Wealth Forecasting System

Philanthropic Organization Profile Data

- Philanthropic Objectives
- Assets
- Capital Campaign
- Risk Tolerance
- Time Horizon

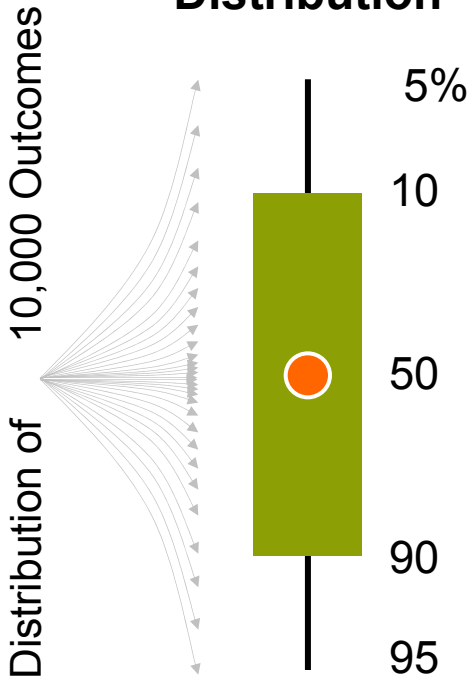
Scenarios

- **Spending Policy**
- **Asset Allocation**

Wealth Forecasting Model

Simulated observations based on Bernstein's proprietary capital markets research

Probability Distribution



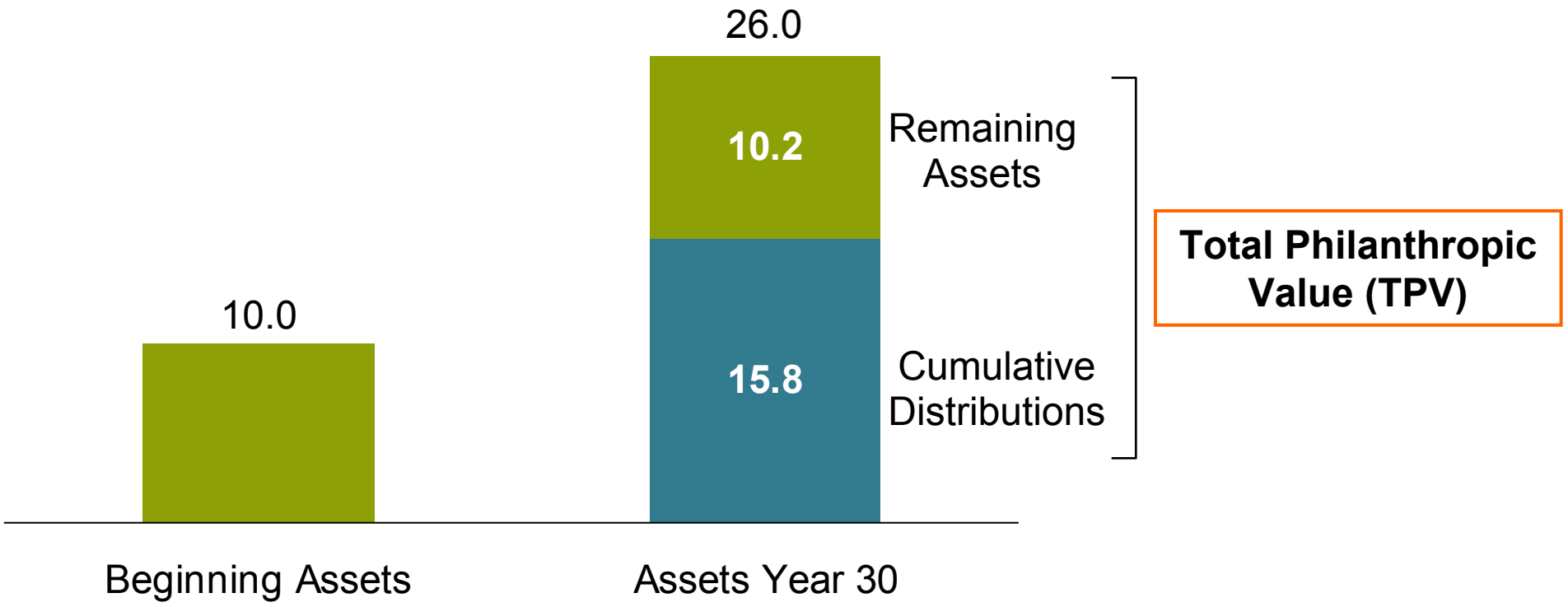
- Based upon the current state of the capital markets
- Prospective returns
- Forecasts returns for 30+ asset classes and 16 different planning vehicles

Source: AllianceBernstein

Total Philanthropic Value (TPV) Defined

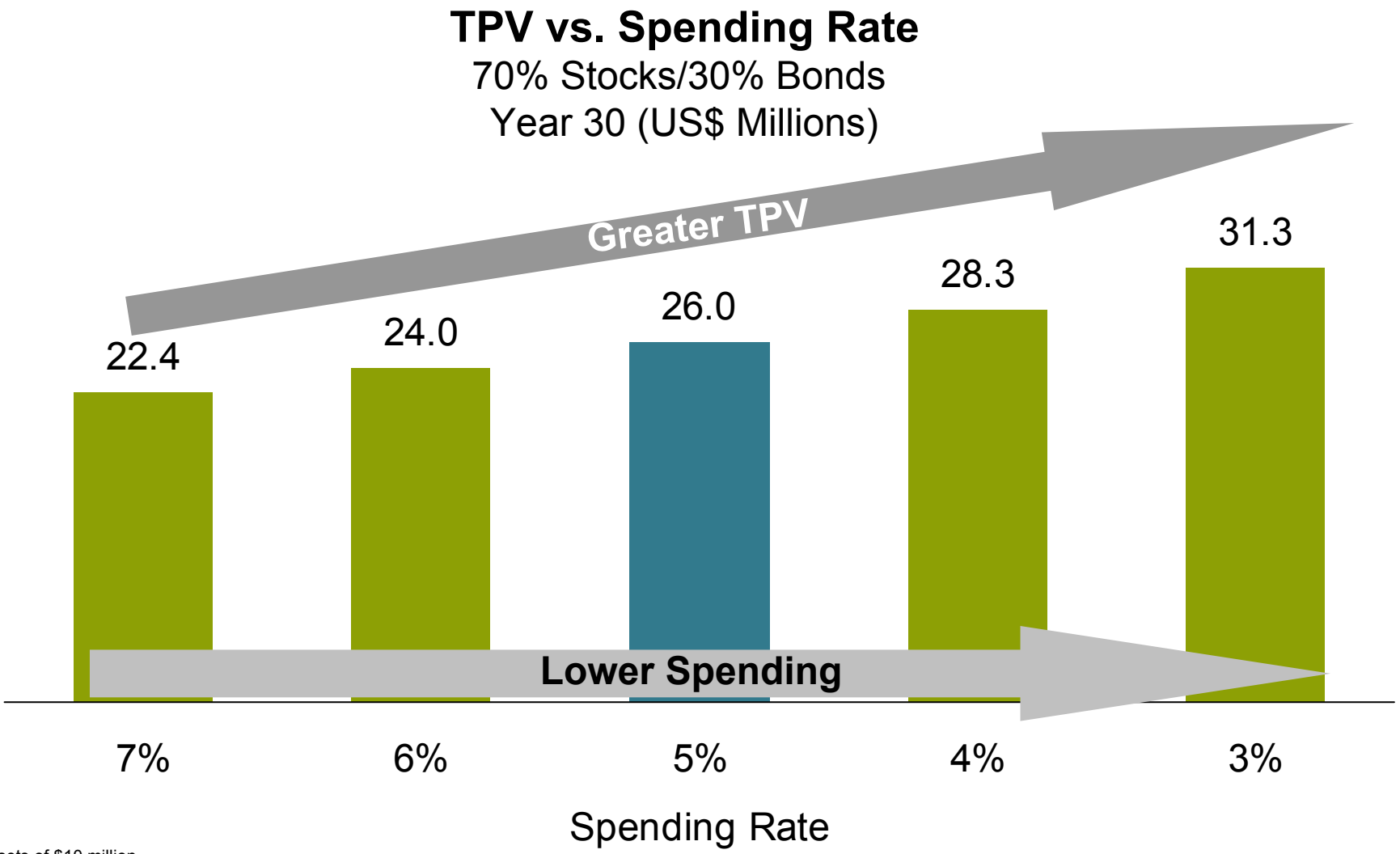
70% Stocks/30% Bonds, Distributing 5% Annually

Median Forecast Results, Adjusted for Inflation (US$ Millions)



Initial assets of $10 million.
Asset allocation is 65% Global Stocks/25% Intermediate Taxable Fixed Income/10% REITs. Global Stocks are 35% US Value/35% US Growth/25% Developed International/5% Emerging Markets.
See Notes on Wealth Forecasting System in the Appendix of this presentation.

TPV Paradox: Lower Spending Means More Charitable Impact



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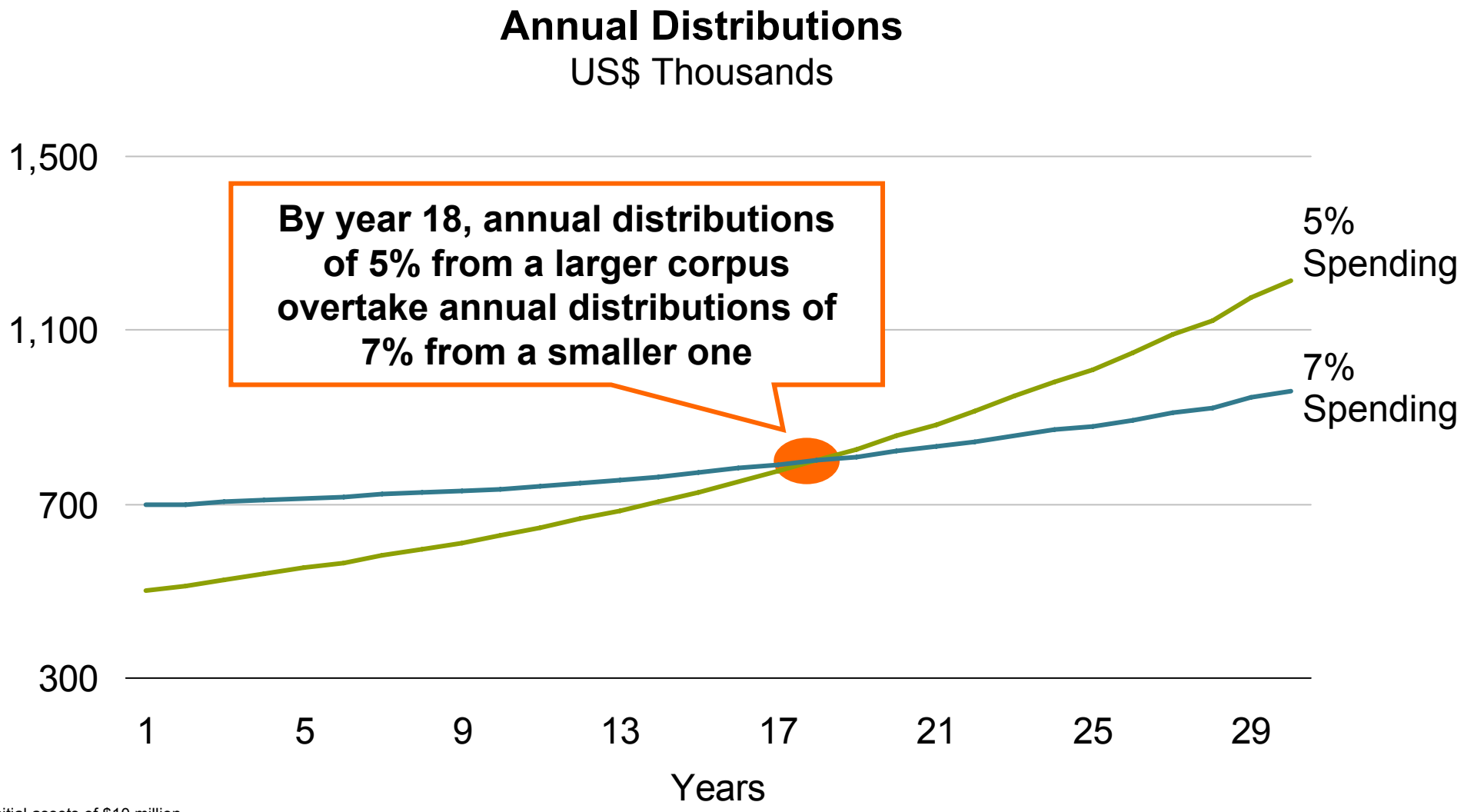
…And, in Time, Greater *Annual* Spending



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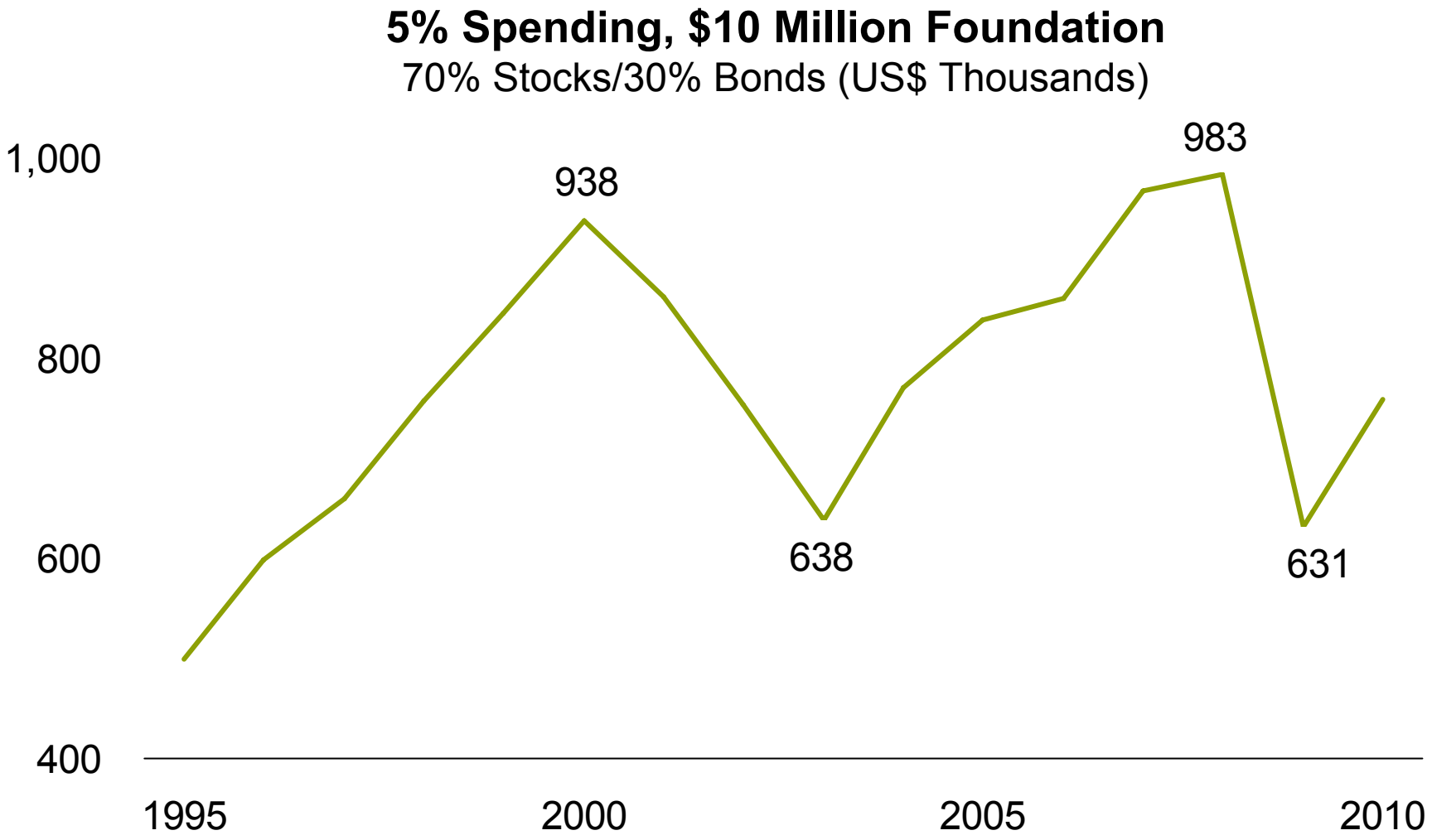
But Market Volatility Can Impact Distributions

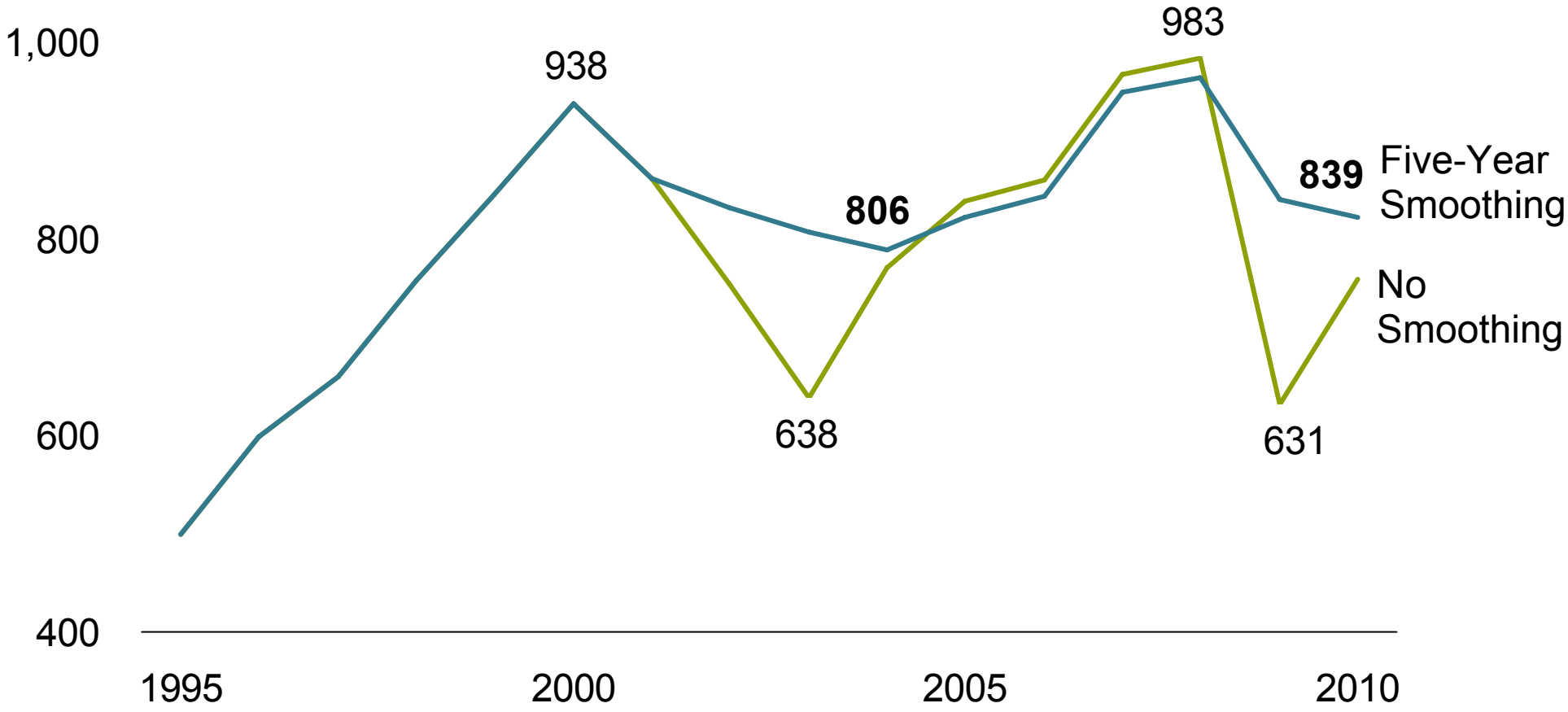


Past performance does not guarantee future results.
Initial assets of $10 million.
See Note on Asset Allocation in Historical Studies in Appendix.

Smoothing Reduces Annual Declines in Distributions

5% Spending, Smoothed, $10 Million Foundation

70% Stocks/30% Bonds (US$ Thousands)



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Initial assets of $10 million.
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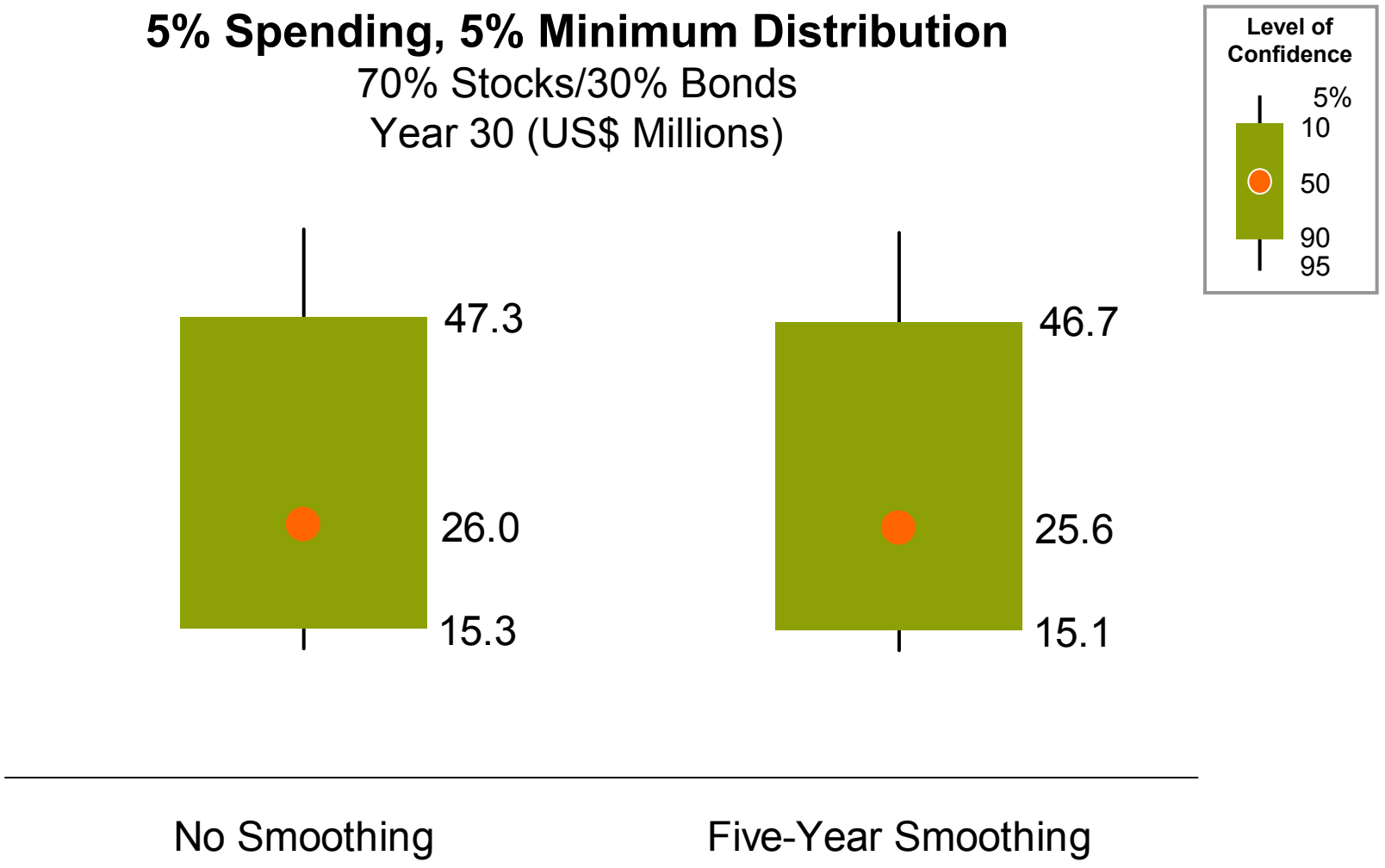
Smoothing Has Minimal Effect on Total Philanthropic Value



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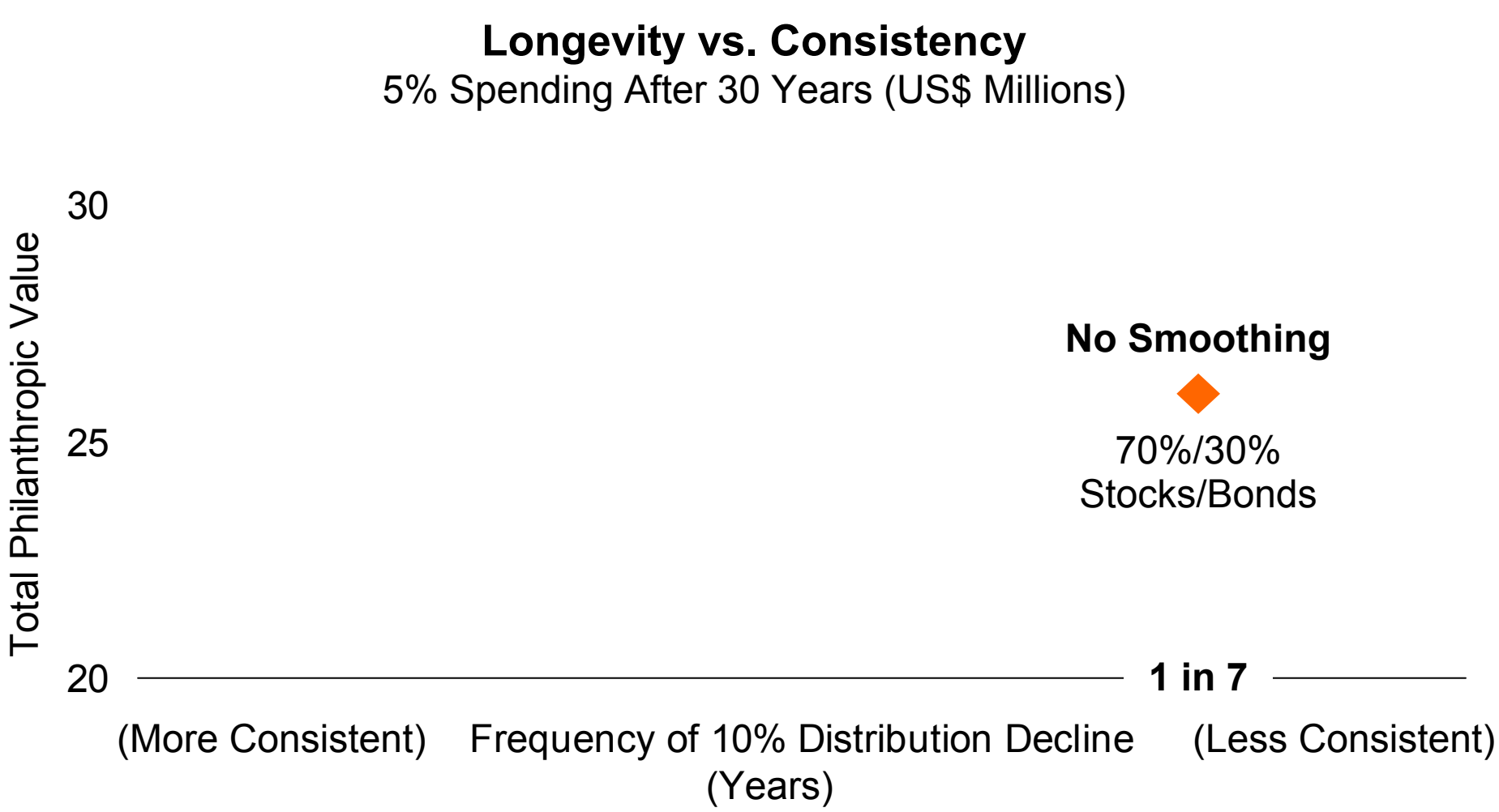
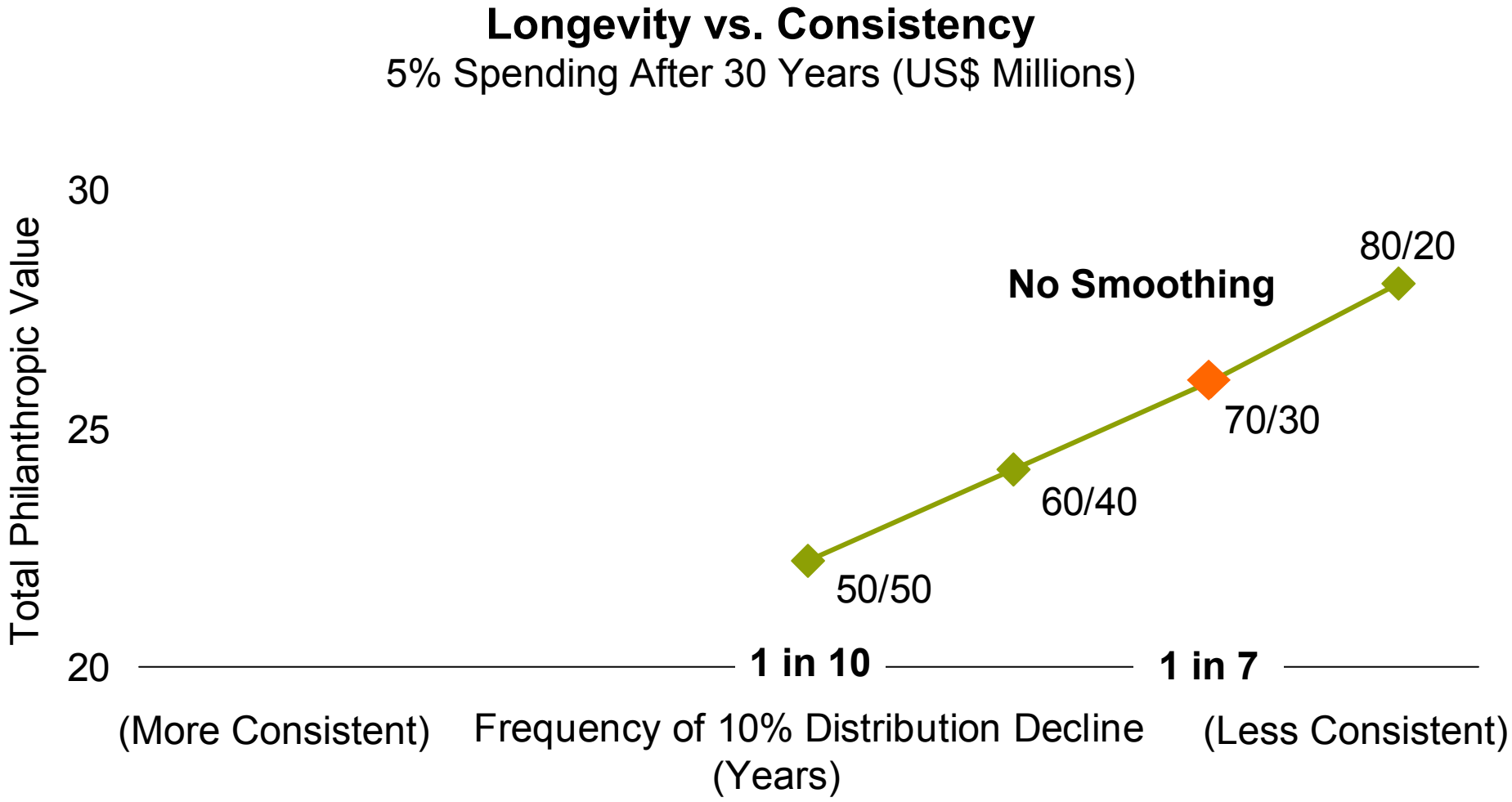
Can Smoothing Improve the Asset Allocation Decision?



Initial assets of $10 million.
Total Philanthropic Value is measured by real cumulative distributions plus real portfolio remainder. Consistency is measured by probability of 10% or greater decline in distribution. Asset allocations are: 50/50 is 45% Global Stocks/45% Intermediate Taxable Fixed Income/10% REITs; 60/40 is 55% Global Stocks/35% Intermediate Taxable Fixed Income/10% REITs; 70/30 is 65% Global Stocks/25% Intermediate Taxable Fixed Income/10% REITs; 80/20 is 75% Global Stocks/15% Intermediate Taxable Fixed Income/10% REITs. Global Stocks are 35% US Value/35% US Growth/25% Developed International/5% Emerging Markets. See Notes on Wealth Forecasting System in the Appendix of this presentation.

Improving Consistency of Distributions Can Hurt TPV



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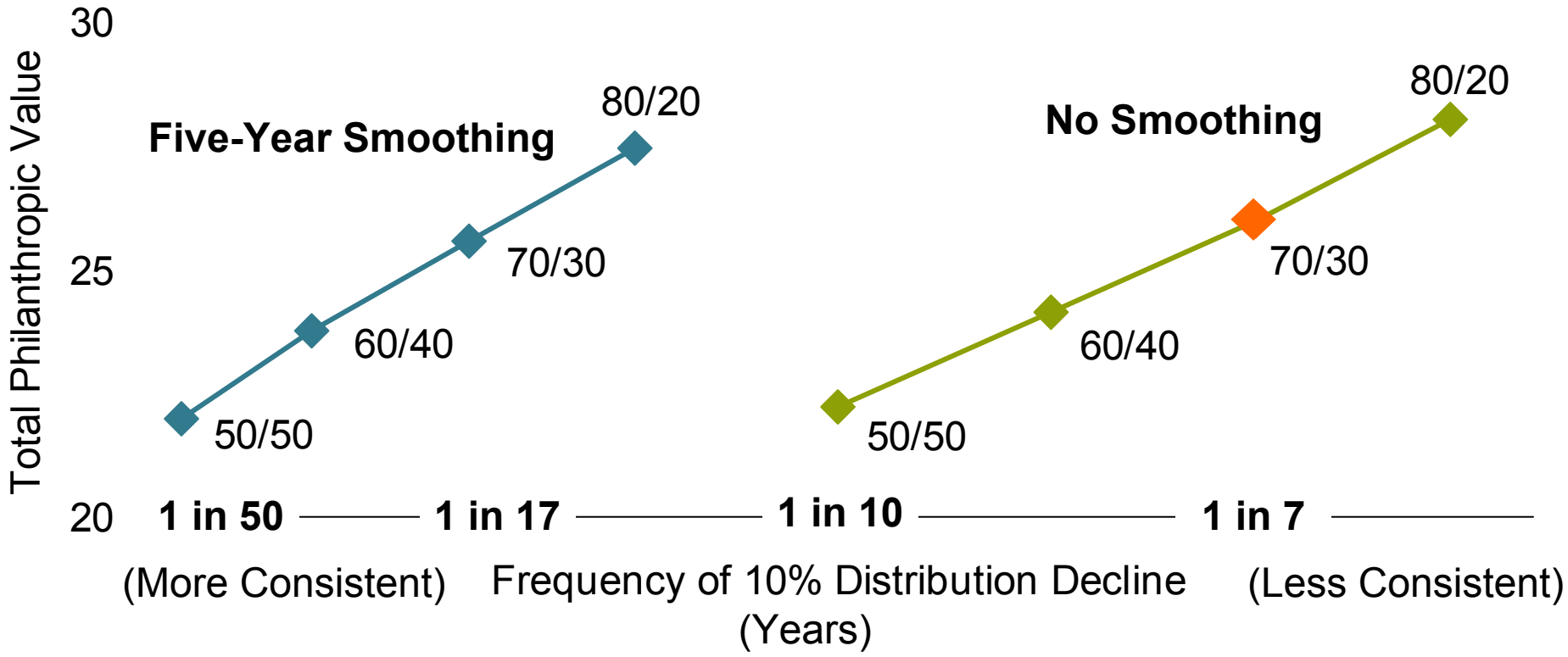
But Smoothing Improves TPV *and* Consistency of Distributions

Longevity vs. Consistency

5% Spending After 30 Years (US$ Millions)



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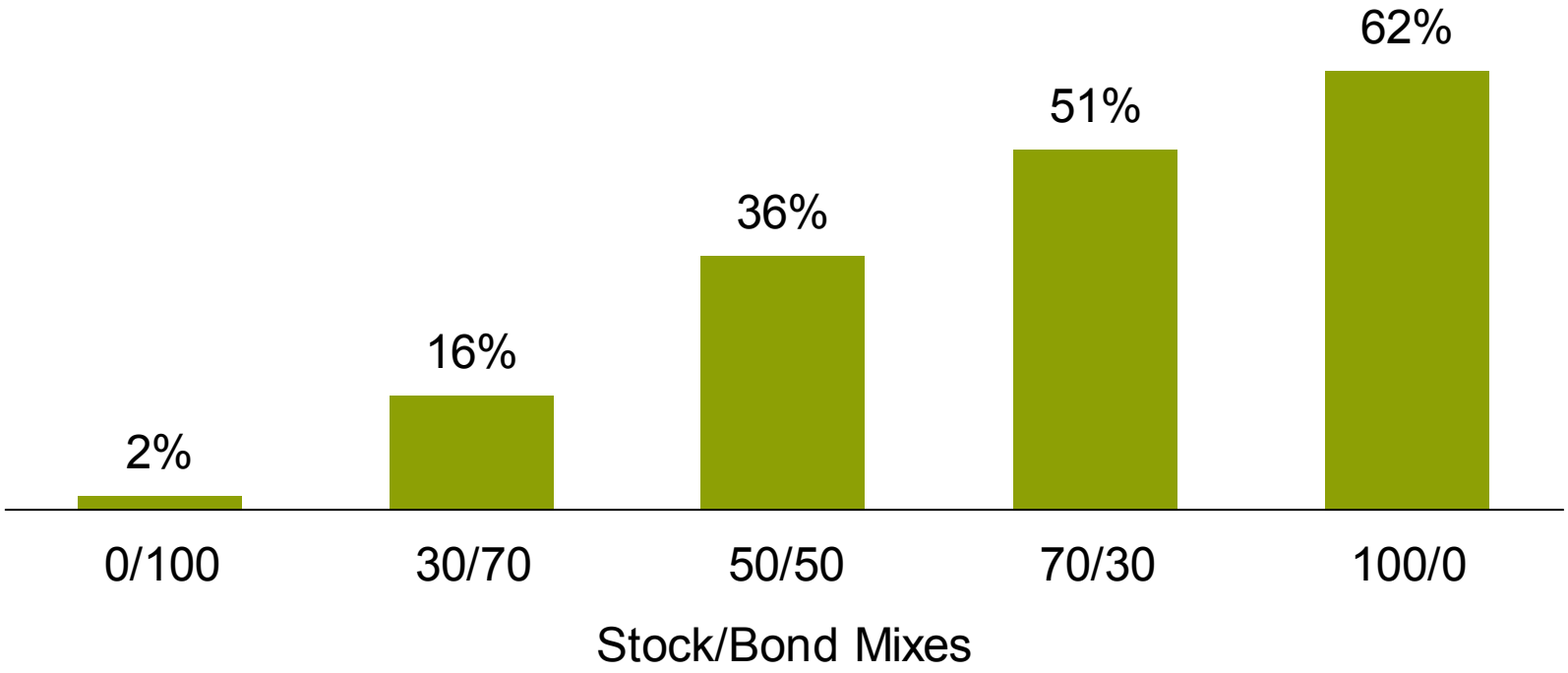
Real World Decisions: Three Foundations

- **The Forever Foundation**
  - Mission: Maximize Total Philanthropic Value over Longest Period of Time
- **The Middle Way Foundation**
  - Mission: Balance Longevity with Less Volatile Distributions
- **The Steadfast Foundation**
  - Mission: Never Reduce Distributions, Regardless of Effect on Longevity

The Forever Foundation: Keeping Ahead of Inflation

Probability of 5% Spending Keeping Pace with Inflation After 30 Years*



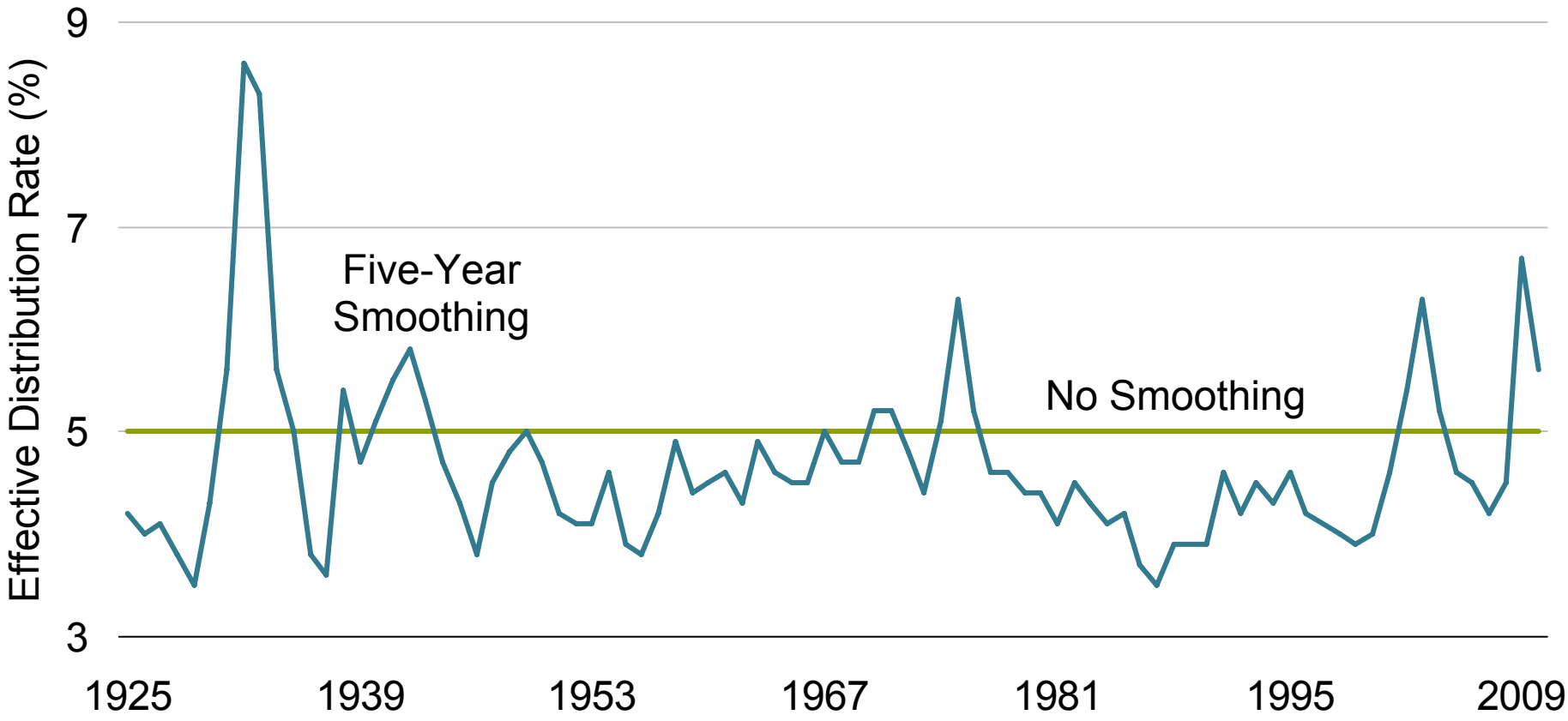
To have a 50% shot at perpetuity, the foundation needs at least 70% in equities, with the accompanying volatility

Past performance does not guarantee future results.
*Rolling 30-year periods start monthly. Number of rolling 30-year periods studied: 1,080; see Note on Asset Allocation in Historical Studies in Appendix.
See Notes on Wealth Forecasting System in the Appendix of this presentation.

The Middle Way Foundation: Can Smoothing Help?

5% Spending,* No Minimum Distribution

70% Stocks/30% Bonds



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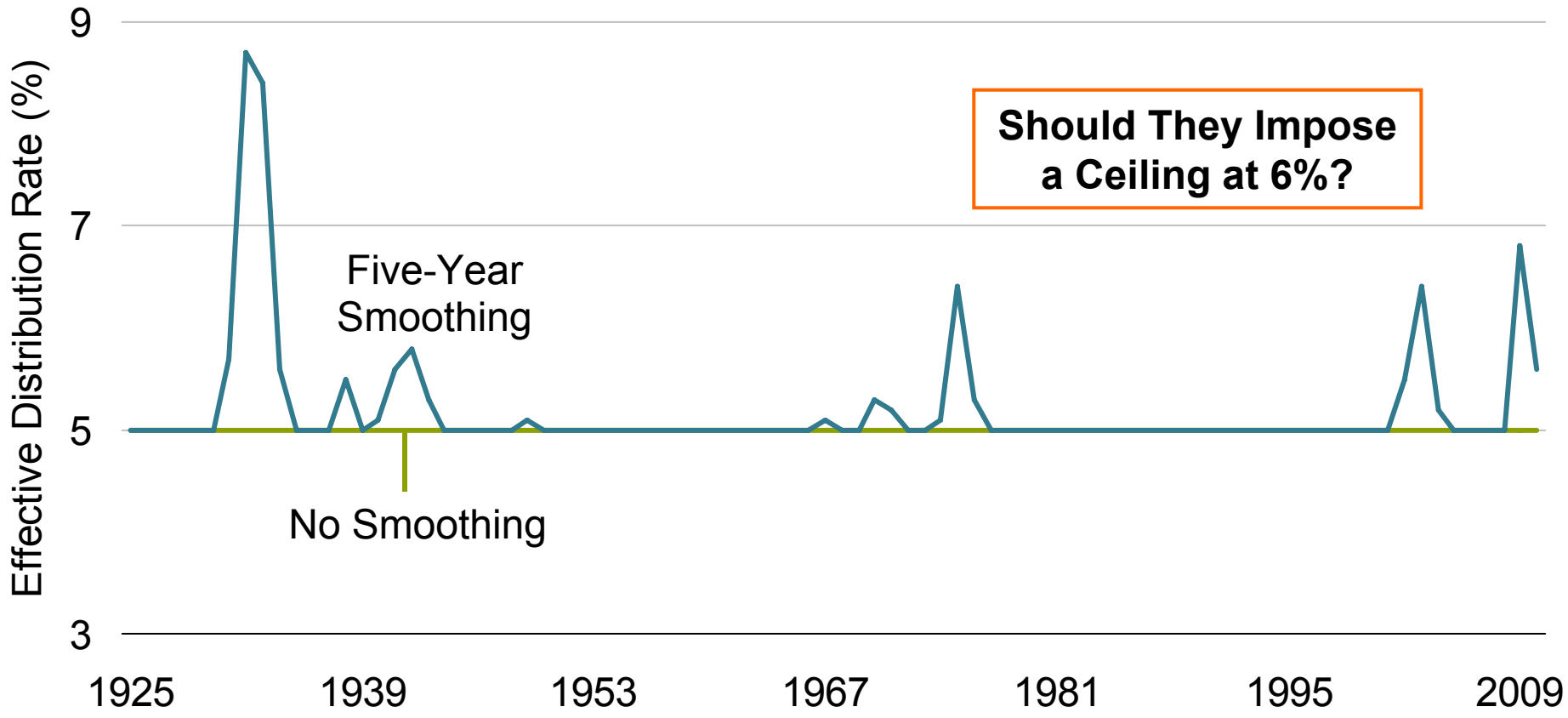
The Middle Way Foundation: Worried About Spikes in Spending

5% Spending,* 5% Minimum Distribution
70% Stocks/30% Bonds



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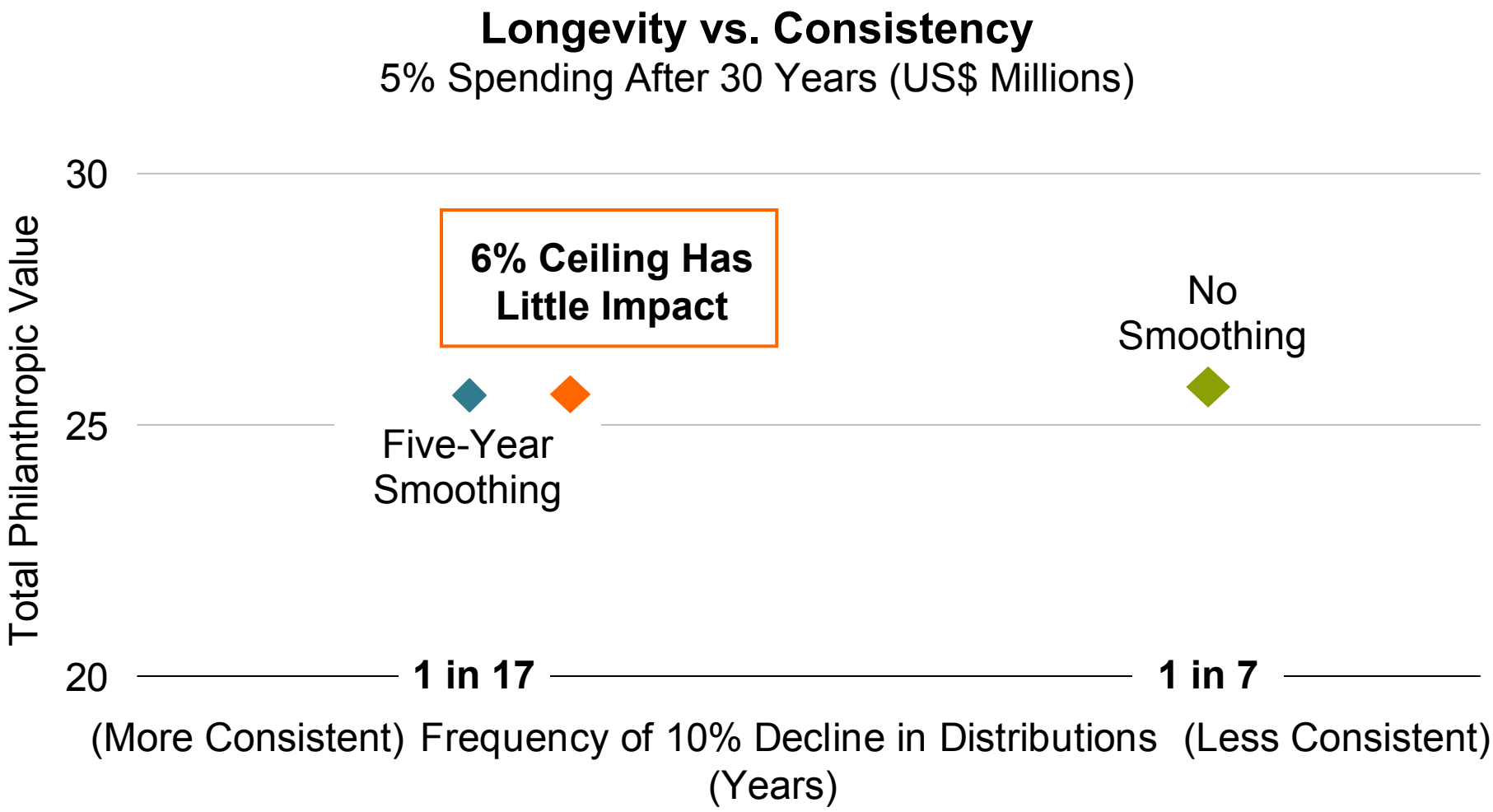
Can We Spend Through It? Impact of a Ceiling



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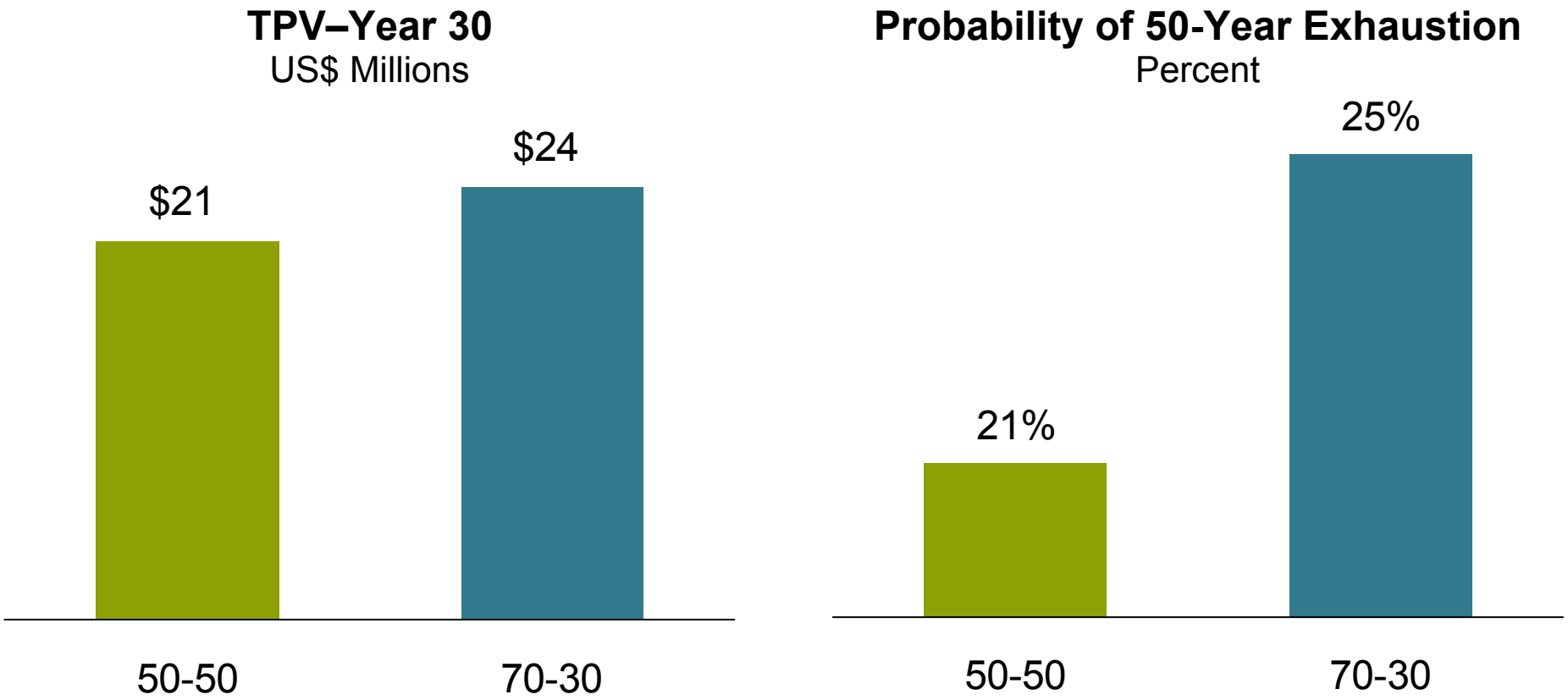
The Steadfast Foundation: How to Invest with Stable Giving?

5% Spending with Floor of Last Year's Distribution
No Smoothing



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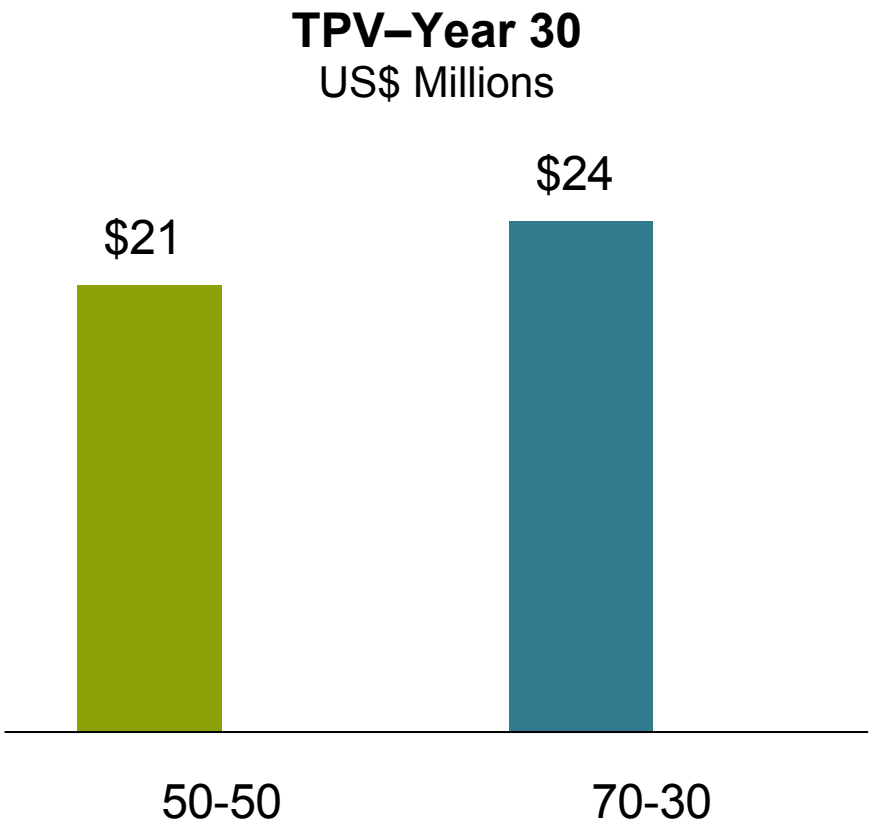
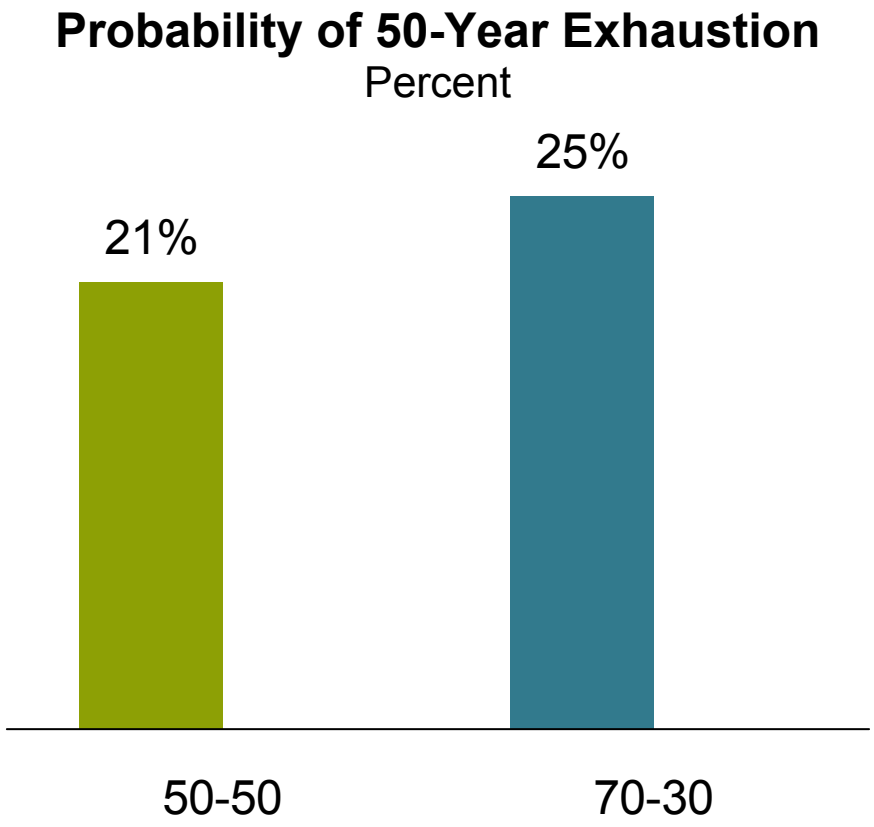
Can the Steadfast Foundation Last Even Longer?

- When foundation asset values decline, Steadfast distributes the same amount as in previous years, greater than the 5% requirement
- The “excess distribution” can be used to reduce the required minimum to below 5% in future years
- Excess distributions carried forward expire after five years

The Steadfast Foundation: How to Invest with Stable Giving?

5% Spending with Floor of Last Year's Distribution





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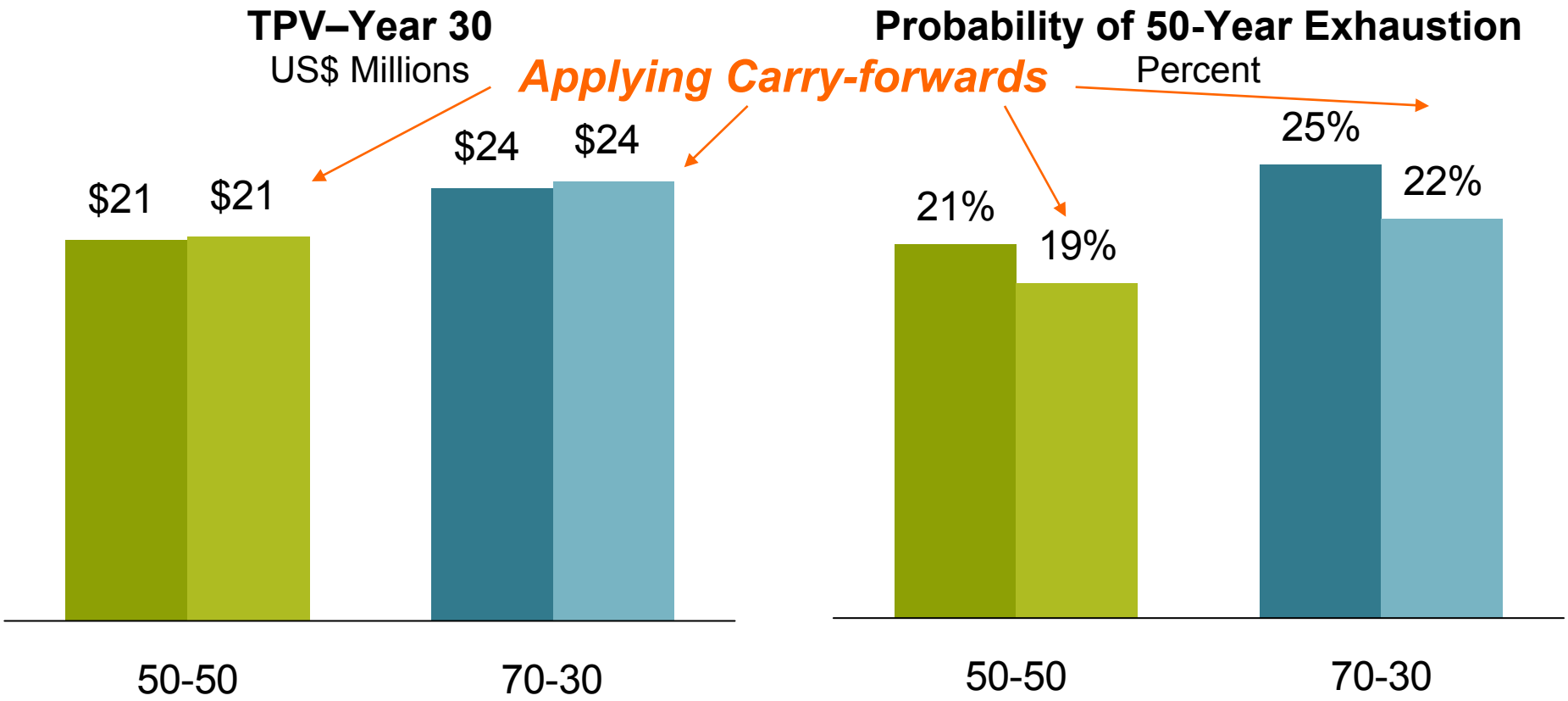
The Steadfast Foundation: How to Invest with Stable Giving?

5% Spending with Floor of Last Year's Distribution



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Summary: Matching the Charitable Mission with Asset Allocation and Spending Policy

		Asset Allocation (% Equities)	**Spending Policy**
Charitable Objective	Forever Foundation: Maximize TPV and Longevity	70%–80%	Fixed Percent No Smoothing
	Middle Way Foundation: Seek Balance	70%	Fixed Percent Five-Year Smoothing Consider Ceilings
	Steadfast Foundation: Ensure Stable Giving	50%–70%	Consider Using Carry-Forwards


BERNSTEIN
Global Wealth Management

Disclosures

Note on Asset Allocation in Historical Studies

Data Sources

US Stocks. February 1890 through December 1925: S&P 500 Total Return Index (with Global Financial Data extension). January 1926 through December 1974: S&P 500 Total Return. Represented by Ibbotson January 1926 through December 1974 and the S&P 500 thereafter from Compustat (via FactSet).

US Value Stocks. January 1975 through December 2009: S&P 500 Barra Value Total Return.

US Growth Stocks. January 1975 through December 2009: S&P 500 Barra Growth Total Return.

Developed International Stocks. January 1970 through December 2009: MSCI EAFE Index UH (Cap) Total Return.

Emerging Markets Stocks. January 1988 through December 2009: MSCI Emerging Markets Free Index (Cap) Total Return.

Bonds. February 1890 through December 1918: Global Financial Data 10-year US Government Bond Total Return Index. January 1919 through December 1925: Global Financial Data 5-year US Government Bond Total Return Index. January 1926 through January 1962: US LT Government Bond. February 1962 through December 1975: 5-Yr Treasury TPA. January 1976 through December 2009: Barclays US Aggregate (LHMN0001).

REITs. February 1972 through November 1997: NAREIT Equity REIT. December 1997 through December 2009: EPRA NAREIT Global Real Estate Index Total Return.

Inflation. February 1890 through December 1925: United States Bureau of Labor Statistics Consumer Price Index Not Seasonally-Adjusted. January 1926 through December 2009: US Consumer Price Index.

Asset Allocation Simulation Assumptions

100% Bonds
- From February 1890 to December 2009, 100% Bonds.

30% Stocks / 70% Bonds
- From February 1890 to December 1969, 30% US Stocks / 70% Bonds.
- From January 1970 to January 1972, 21% US Stocks / 9% Developed International Stocks / 70% Bonds.
- From February 1972 to December 1974, 17.5% US Stocks / 7.5% Developed International Stocks / 65% Bonds / 10% REITs.
- From January 1975 to December 1987, 8.75% US Value Stocks / 8.75% US Growth Stocks / 7.5% Developed International Stocks / 65% Bonds / 10% REITs.
- From January 1988 to December 2009, 8.75% US Value Stocks / 8.75% US Growth Stocks / 6.25% Developed International Stocks / 1.25% Emerging Markets Stocks / 65% Bonds / 10% REITs.

50% Stocks / 50% Bonds
- From February 1890 to December 1969, 50% US Stocks / 50% Bonds.
- From January 1970 to January 1972, 35% US Stocks / 15% Developed International Stocks / 50% Bonds.
- From February 1972 to December 1974, 31.5% US Stocks / 13.5% Developed International Stocks / 45% Bonds / 10% REITs.
- From January 1975 to December 1987, 15.75% US Value Stocks / 15.75% US Growth Stocks / 13.5% Developed International Stocks / 45% Bonds / 10% REITs.
- From January 1988 to December 2009, 15.75% US Value Stocks / 15.75% US Growth Stocks / 11.25% Developed International Stocks / 2.25% Emerging Markets Stocks / 45% Bonds / 10% REITs.

70% Stocks / 30% Bonds
- From February 1890 to December 1969, 70% US Stocks / 30% Bonds.
- From January 1970 to January 1972, 49% US Stocks / 21% Developed International Stocks / 30% Bonds.
- From February 1972 to December 1974, 45.5% US Stocks / 19.5% Developed International Stocks / 25% Bonds / 10% REITs.
- From January 1975 to December 1987, 22.75% US Value Stocks / 22.75% US Growth Stocks / 19.5% Developed International Stocks / 25% Bonds / 10% REITs.
- From January 1988 to December 2009, 22.75% US Value Stocks / 22.75% US Growth Stocks / 16.25% Developed International Stocks / 3.25% Emerging Markets Stocks / 25% Bonds / 10% REITs.

100% Stocks
- From February 1890 to December 1969, 100% US Stocks.
- From January 1970 to January 1972, 70% US Stocks / 30% Developed International Stocks.
- From February 1972 to December 1974, 70% US Stocks / 30% Developed International Stocks.
- From January 1975 to December 1987, 35% US Value Stocks / 35% US Growth Stocks / 30% Developed International Stocks.
- From January 1988 to December 2009, 35% US Value Stocks / 35% US Growth Stocks / 25% Developed International Stocks / 5% Emerging Markets Stocks.

Notes on Wealth Forecasting

1. Purpose and Description of Wealth Forecasting Analysis

Bernstein's Wealth Forecasting Analysis[SM] is designed to assist investors in making long-term investment decisions regarding their allocation of investments among categories of financial assets. Our new planning tool consists of a four-step process: (1) Client Profile Input: the client's asset allocation, income, expenses, cash withdrawals, tax rate, risk-tolerance level, goals and other factors; (2) Client Scenarios: in effect, questions the client would like our guidance on, which may touch on issues such as when to retire, what his/her cash-flow stream is likely to be, whether his/her portfolio can beat inflation long term and how different asset allocations might impact his/her long-term security; (3) The Capital-Markets Engine: Our proprietary model, which uses our research and historical data to create a vast range of market returns, takes into account the linkages within and among the capital markets, as well as their unpredictability; and finally (4) A Probability Distribution of Outcomes: Based on the assets invested pursuant to the stated asset allocation, 90% of the estimated ranges of returns and asset values the client could expect to experience are represented within the range established by the 5th and 95th percentiles on "box and whiskers" graphs. However, outcomes outside this range are expected to occur 10% of the time; thus, the range does not establish the boundaries for all outcomes. Expected market returns on bonds are derived taking into account yield and other criteria. An important assumption is that stocks will, over time, outperform long bonds by a reasonable amount, although this is in no way a certainty. Moreover, actual future results may not meet Bernstein's estimates of the range of market returns, as these results are subject to a variety of economic, market, and other variables. Accordingly, the analysis should not be construed as a promise of actual future results, the actual range of future results or the actual probability that these results will be realized.

2. Rebalancing

Another important planning assumption is how the asset allocation varies over time. We attempt to model how the portfolio would actually be managed. Cash flows and cash generated from portfolio turnover are used to maintain the selected asset allocation between cash, bonds, stocks, REITs and hedge funds over the period of the analysis. Where this is not sufficient, an optimization program is run to trade off the mismatch between the actual allocation and targets against the cost of trading to rebalance. In general, the portfolio allocation will be maintained reasonably close to its target. In addition, in later years, there may be contention between the total relationship's allocation and those of the separate portfolios. For example, suppose an investor (in the top marginal federal tax bracket) begins with an asset mix consisting entirely of municipal bonds in his/her personal portfolio and entirely of stocks in his/her retirement portfolio. If personal assets are spent, the mix between stocks and bonds will be pulled away from targets. We put primary weight on maintaining the overall allocation near target, which may result in an allocation to taxable bonds in the retirement portfolio as the personal assets decrease in value relative to the retirement portfolio's value.

3. Expenses and Spending Plans (Withdrawals)

All results are generally shown after applicable taxes and after anticipated withdrawals and/or additions, unless otherwise noted. Liquidations may result in realized gains or losses, which will have capital gains tax implications.

Notes on Wealth Forecasting

4. Modeled Asset Classes: The assets or indexes below were used in this analysis to represent the various model classes.

Asset Class	Modeled As…	Annual Turnover Rate
Intermediate-Term Taxables	Taxable bonds with maturity of 7 years	30%
US Value	S&P/Barra Value Index	15%
US Growth	S&P/Barra Growth Index	15%
Developed International	MSCI EAFE Unhedged	15%
Emerging Markets	MSCI Emerging Markets Index	20%
REITs	NAREIT	30%

5. Volatility

Volatility is a measure of dispersion of expected returns around the average. The greater the volatility, the more likely it is that returns in any one period will be substantially above or below the expected result. The volatility for each asset class used in this analysis is listed on the Capital Markets Projections page at the end of these Notes. In general, two-thirds of the returns will be within one standard deviation. For example, assuming that stocks are expected to return 8.0% on a compounded basis and the volatility of returns on stocks is 17.0%, in any one year it is likely that two-thirds of the projected returns will be between (8.9)% and 28.8%. With intermediate government bonds, if the expected compound return is assumed to be 5.0% and the volatility is assumed to be 6.0%, two-thirds of the outcomes will typically be between (1.1)% and 11.5%. Bernstein's forecast of volatility is based on historical data and incorporates Bernstein's judgment that the volatility of fixed income assets is different for different time periods.

6. Technical Assumptions

Bernstein's Wealth Forecasting Analysis is based on a number of technical assumptions regarding the future behavior of financial markets. Bernstein's Capital Markets Engine is the module responsible for creating simulations of returns in the capital markets. These simulations are based on inputs that summarize the condition of the capital markets as of December 31, 2009. Therefore, the first 12-month period of simulated returns represents the period from December 31, 2009, through December 31, 2010, and not necessarily the calendar year of 2009. A description of these technical assumptions is available on request.

7. Tax Implications

Before making any asset allocation decisions, an investor should review with his/her tax advisor the tax liabilities incurred by the different investment alternatives presented herein, including any capital gains that would be incurred as a result of liquidating all or part of his/her portfolio, retirement-plan distributions, investments in municipal or taxable bonds, etc. Bernstein does not provide tax, legal or accounting advice. In considering this material, you should discuss your individual circumstances with professionals in those areas before making any decisions.

Notes on Wealth Forecasting

8. Tax Rates

Bernstein's Wealth Forecasting Analysis has used the following tax rates for this analysis:

Taxpayer	Start Year	End Year	Federal Income Tax Rate	Federal Capital Gains Tax Rate	State Income Tax Rate	State Capital Gains Tax Rate	Tax Method Type
Foundation/Endowment	2010	2049	0.00%	0.00%	0.00%	0.00%	No Tax

The federal income tax rate represents Bernstein's estimate of either the top marginal tax bracket or an "average" rate calculated based upon the marginal-rate schedule. The federal capital gains tax rate is represented by the lesser of the top marginal income tax bracket or the current cap on capital gains for an individual or corporation, as applicable. Federal tax rates are blended with applicable state tax rates by including, among other things, federal deductions for state income and capital gains taxes. The state tax rate generally represents Bernstein's estimate of the top marginal rate, if applicable.

9. Private Foundations

The Private Foundation is modeled as a charitable trust or not-for-profit corporation, which can be either a private operating foundation or a private non-operating foundation. The foundation may receive an initial donation and periodic funding from either the personal portfolio modeled in the system or an external source. Annual distributions from the foundation may be structured in a number of different ways, so long as the foundation distributes the minimum amount required under federal regulations, including: 1) only the minimum amount; 2) an annuity or fixed dollar amount, which may be increased annually by inflation or by a fixed percentage; 3) a unitrust, or annual payout of a percentage of foundation assets, based on a single year or averaged over multiple years; 4) a linear distribution of foundation assets, determined each year by dividing the foundation assets by the remaining number of years; or 5) the greater of the previous year's distribution or any of the above methods. These distribution policies can be varied in any given year. For non-operating foundations, the system calculates the excise tax on net investment income.

10. Endowments

The Endowment is modeled as a non-taxable permanent fund bestowed upon an institution to be used to support a specific purpose in perpetuity. The endowment may receive an initial donation and periodic funding from either the personal portfolio modeled in the system or an external source. Annual distributions from the endowment may be structured in a number of different ways, including: 1) an annuity or fixed dollar amount, which may be increased annually by inflation or by a fixed percentage; 2) a unitrust, or annual payout of a percentage of endowment assets, based on a single year or averaged over multiple years; 3) a linear distribution of endowment assets, determined each year by dividing the endowment assets by the remaining number of years; or 4) the greater of the previous year's distribution or any of the above methods. These distribution policies can be varied in any given year.

Notes on Wealth Forecasting

11. Capital-Markets Projections

	Median 40-Year Growth Rate	Mean Annual Return	Mean Annual Income	1-Year Volatility	40-Year Annual Equivalent Volatility
Intermediate-Term Taxables	5.2%	5.5%	6.3%	4.7%	11.2%
US Value Stocks	8.9	10.3	3.6	17.8	15.7
US Growth Stocks	8.5	10.4	2.3	20.2	16.5
Developed International Stocks	9.3	11.4	3.5	21.3	17.0
Emerging Markets Stocks	7.2	11.1	2.8	29.1	25.9
REITs	6.9	8.5	4.0	24.3	16.2
Inflation	2.9	3.2	N/A	1.2	10.7

Based on 10,000 simulated trials, each consisting of 50-year periods. Reflects Bernstein's estimates and the capital-markets conditions as of December 31, 2009. Does not represent any past performance and is not a guarantee of any future specific risk levels or returns, or any specific range of risk levels or returns.

12. Projected Correlations

	Int.-Term Taxables	US Value	US Growth	Developed International	Emerging Markets	REITs	Inflation
Int.-Term Taxables	1.00	0.24	0.23	0.19	0.21	0.20	(0.34)
US Value	0.24	1.00	0.84	0.69	0.56	0.50	(0.11)
US Growth	0.23	0.84	1.00	0.69	0.54	0.38	(0.10)
Developed International	0.19	0.69	0.69	1.00	0.57	0.38	(0.09)
Emerging Markets	0.21	0.56	0.54	0.57	1.00	0.31	(0.08)
REITs	0.20	0.50	0.38	0.38	0.31	1.00	(0.05)
Inflation	(0.34)	(0.11)	(0.10)	(0.09)	(0.08)	(0.05)	1.00

Based on the first year of each of 10,000 simulated trials.
Reflects Bernstein's estimates, and the capital market conditions of December 31, 2009.
Does not represent any past performance and is not a guarantee of any future specific risk-levels or returns, or any specific range of risk-levels or returns.