

Overview

Consultant: Fund Evaluation Group

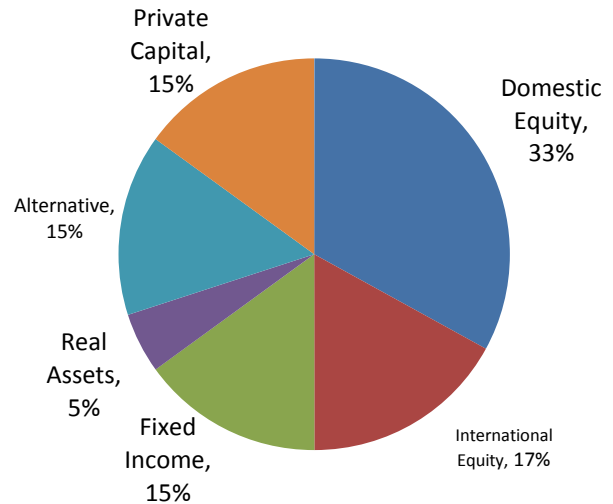
It is the practice of the Foundation that no member of the Investment Committee manages any part of the asset allocation or receives compensation for their advice. This ensures impartiality when reviewing money manager performance.

The size of the Blue Mountain Community Foundation's asset base allows the negotiation of fees on a wholesale basis increasing the overall investment return for all participants in each pool.

The Foundation's fiscal year is July 1 to June 30.

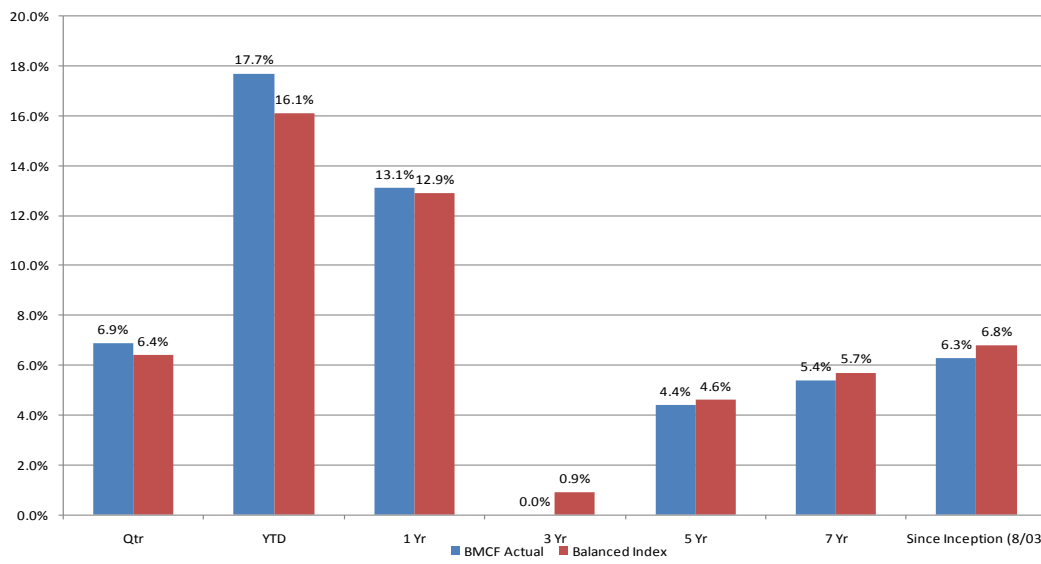
Asset Allocation

Domestic Equity – 33.0% International Equity – 17.0%
Hedge Fund – 15.0% Fixed Income – 15.0%
Real Assets – 5%, Private Capital 15% Includes Endowment Corpus Only



Investment Policy Asset Class Targets

**Endowed Pool I Total Return
for Periods Ending December 31, 2010**



The Foundation's Balanced Index is a composite of indexes comprised of: 50% Russell 3000 Index, 15% MSCI AC World Free ex-US, and 35% LB Aggregate Bond Index.

Investment Managers

Domestic Equities:

- S&P 100 Index Fund, S&P 500 Index Fund – Large Cap Core
- Russell 1000 Growth Index Fund – Large Cap Growth
- PIMCO – Large Cap
- Russell 2000 Index Fund, DFA – Small Cap

International Equities

- MSCI EAFE Index, MSCI EAFE Growth Index, DFA, AQR

Fixed Income

- Baker Boyer, PIMCO

Real Assets

- Deutsche Bank Powershares Commodity Index

Alternative Investments

- Sire Partners, Private Advisors

Private Capital

- No Investments at this time

Investment performance of individual funds may vary from the total pool return due to the timing of contributions and grants.



**Investment Summary
Endowment Funds
December 31, 2010**

Investment Committee Members

Steve Johnson, Chair
Detour Farms Publishing

Lloyd Baker
Chief Financial Officer, Banner Bank

Peter Harvey, CFA
Treasurer, Whitman College

Don Harwood
President, American West Bank, retired

Mark Sherry
Sherry Family Farm

Barbara Van Yserloo
Co-director, Birthright

Investment Philosophy

The Blue Mountain Community Foundation's endowment funds are invested in a "Balanced" portfolio, which is structured for long-term total return. To provide diversification and to moderate risk, the investments are divided into carefully-defined asset classes. Funding available for each asset classification is invested by professional money managers hired by the Foundation through a rigorous selection process. The investment performance of each money manager is monitored by an independent investment consultant retained by the Foundation.

Investment Committee Mission

The mission of the Investment Committee is to provide oversight, guidance and direction regarding the investment of the assets of the Foundation. The Investment Committee operates under guidelines of the Investment Policy Statement approved by the Board of Trustees of the Foundation. In accordance with this policy the Investment Committee is committed to:

1. Protecting the corpus of the endowment;
2. Preserving the spending power of the income from the fund;
3. Maintaining a diversified portfolio of assets in order to meet investment return objectives while keeping the level of risk commensurate with that of the median fund in a representative foundation and endowment universe; and
4. Complying with applicable law.

Recent Investment Committee Actions

February, 2011 – Appointed Steve Johnson as Committee Chair. Appointed Mark Sherry as Committee Member. Implemented new agenda format to include a "Meeting Topic" feature.

November, 2010 – Recommended revised Investment Policy Statement to Board of Trustees

May, 2010 – Affirmed new asset classes and targets; Rebalanced to targets; eliminated Cohen & Steers International Real ; added AQR International and Deutsche Bank Powershares Commodity Index

November, 2009 – Terry Nealey resigned from Committee to support his work as State Representative of Washington's 16th District; Jim Hobkirk's term expired on the Board of Trustees

May, 2009 – Rebalanced to Targets. Added DFA Emerging Markets Small Cap

May, 2008 – Reviewed Strategic Asset Allocation; Considering revisions to asset mix and targets

February, 2008 – Exited TIPS and SEIX Advisors, the bank loan manager and added PIMCO Total Return Institutional

October, 2007 – Moved to new targets within equity, shifting from value to growth, replacing Russell 1000 Value with Russell 1000 Growth and adding MSCI EAFE Growth Index. Liquidated WisdomTree Large Cap Dividend Fund.