I. Introduction

The **Victor Valley College District Foundation** (the "Foundation") was formed in 1975. The Foundation is exempt from federal taxes under the Internal Revenue Code.

II. Purpose

This Investment Policy is intended to assist the Foundation's fiduciaries by ensuring that they follow a prudent process and make investment-related decisions in a prudent manner. This Policy will be reviewed at least annually with the Investment Manager. In the course of their review, the Board of Directors ("Directors") will consider the following:

- amended plan provisions that may have a material effect on cash flow needs or the planning horizon,
- any changes in asset allocation as recommended by the Investment Manager,
- other factors deemed relevant to the Foundation that might require amending the Policy.

This Investment Policy may be modified from time to time as determined by the Board of Directors. The Board of Directors may delegate the duties and responsibilities outlined herein to an investment committee.

III. Investment Objectives

The investment objectives for the Foundation are:

- Long-term Growth of Assets: The Foundation's objective is to grow over time and increase its purchasing power by earning a total return in excess of inflation over multi-year periods. The investment manager will seek to minimize risk through diversification, or other safety features approved by the Foundation, such as a discipline management feature or options that would reduce risk to the portfolio.

  Subject to the ability of the Foundation to deviate from these guidelines, the funds shall be invested with the objective of achieving a long-term net target rate of return of 7% per annum as well as an additional 1.5% to cover the fund administration.

- Preservation of Capital: Another of the Foundation's objectives is to protect principal. Exposing the Foundation to undue risk is to be avoided; however, the assumption of a moderate level of risk, commensurate with the growth objective, is warranted in pursuit of the investment goals. The investment manager and the Directors further recognize that bond and stock investments fluctuate in value and that near-term results can diverge from long-term stated goals. The investment manager will seek to minimize risk through diversification, or other safety features approved by the Foundation, such as a discipline management feature or options that would reduce risk to the portfolio. The investment manager will advise the

Directors from time to time on the reasonableness of their objectives in light of capital market conditions.

- Liquidity: To provide sufficient liquidity for periodic cash requirements.

These objectives are to be considered in conjunction with guidelines and restrictions set forth in this Policy.

IV. Roles and Responsibilities

Those responsible for the management of the Foundation's investments include, but are not limited to the following. In addition to specific duties set forth throughout this Policy, the parties have the following general responsibilities.

The Board of Directors
The Board of Directors is responsible for:

- Hiring the Investment Manager
- Retaining other investment and legal counsel
- Establishing and maintaining the Investment Policy
- Monitoring the Investment Manager
- Evaluating the Foundation's investment performance
- Communicating with participants concerning investment results

The Investment Managers

The Investment Managers are responsible for making reasonable investment decisions that are consistent with this Investment Policy, the investment adviser's contract, including the specific Investment Guidelines set forth therein, or as requested in writing by the Foundation's fiduciaries.

The Investment Manager will be responsible for establishing a prudent asset allocation for the Foundation portfolio based on the particular goals, objectives, needs, risk tolerance and time horizon of the Foundation portfolio. In doing so, the Investment Manager will seek to diversify the Foundation portfolio within and across market sectors and individual securities to reduce portfolio risk and enhance return.

V. Selection of Investment Managers

A. The Directors shall evaluate the Investment Manager and choose managers to manage the fund assets within the criteria set forth by this Investment Policy. The evaluation process may include requesting a bid proposal from each candidate. Each Investment Manager must meet certain minimum criteria:

   - It should be a bank, insurance company, or investment management company or an investment adviser registered under the Investment Advisers Act of 1940 (RIA).
   - It should be operating in good standing with regulators and clients, with no material pending or concluded legal actions.

- It should provide detailed additional information on the history of the firm, its investment philosophy and approach, and its principals, clients, locations, fee schedules, and other relevant information.
- It should assume, in writing, fiduciary status concerning investments of the Foundation.

B. A donor may request their current Advisor continue to manage their gift, or if an Advisor brings a gift to the Foundation and the Advisor can meet the Foundation Guidelines, the Foundation may continue to use the Advisor's services without putting the portfolio out for bid.

VI. Asset Class Restrictions and Guidelines

The Foundation maintains both operational and investment accounts. Operational accounts are managed by the Foundation and shall include checking, savings, merchant accounts, and cash on hand (pending deposits). Balances in these accounts shall be maintained to accommodate periodic cash requirements, but shall not exceed insurance limits. The monthly target balance for the operational accounts shall be no less than \$100,000 and not more than \$250,000. Transfers to or from the Foundation's primary investment account will be coordinated with the Investment Manager to maintain the target balance in the operational accounts.

Investment accounts shall be managed by a designated Investment Manager. The Investment Manager will seek to diversify the Foundation across market sectors and individual securities to reduce portfolio risk and enhance returns. Excluding Treasury and agency obligations and mutual fund holdings, no individual stock holding shall exceed 5% of the portfolio.

The fund shall be invested with the care, skill, prudence and diligence under the circumstances then prevailing that a prudent person acting in like capacity and familiar with such matters would use in the investment of a fund of a like character and with like aims.

VII. Active Management

Investment Managers are expected to provide active management of the portfolio. This means that at least quarterly, the portfolio should be reviewed and rebalanced as needed to maintain consistency with investment objectives identified in this policy, provisions of the investment manager's contract or other written guidance provided by the Foundation.

VIII. Prohibited Transactions

- Short sales
- Margin purchases
- Agricultural commodities contracts

- Hedge funds
- Direct Real Estate Lending

The Foundation may, with a majority vote of its Board of Directors, choose to suspend section IX for the purpose of a specific investment opportunity.

IX. Investment Manager Reports:

Performance Measurement

Time-weighted rate of return measurements will be made at quarterly intervals for the portfolio as a whole and for each separate asset class.

The Investment Manager will report on the performance of the portfolio net of fees. Performance will be measured against an appropriate blended benchmark which is consistent with the portfolio's policy target. The stock component of the benchmark will be comprised of the S&P 500 Index and the bond component will use the Lehman Aggregate Bond Index. Emphasis will be placed on performance over a market cycle.

The Investment Manager will report holdings monthly and performance quarterly, as well as upon request. The reports should provide annualized performance information net of fees that includes the following time horizons: year to date, and one, three, five and ten (to the extent the manager has managed for those periods) year “look back” periods.

The Investment Manager is responsible for immediately reporting to the Directors any material changes in investment strategy, portfolio structure, company ownership, financial position, and any unusual or extraordinary events of their firm. Examples of such events include, but are not limited to, portfolio manager or management team departure, violation of investment guidelines, material litigation against the manager firm, material changes in firm ownership structure, or announcements thereof.

Fee/Cost Disclosure

The Investment Manager is responsible to include in quarterly reports the following information regarding fees and costs:

- Total dollar amount of fees paid and

- Fees expressed as a percentage of total asset value.

No less than annually, the Manager shall also disclose any other costs associated with the investment and management of the Foundation portfolio including, but not limited to, custodial fees for holding Foundation assets, costs to administer the portfolio, etc. This report must include disclosure of remuneration from all sources (direct, indirect, offset, stipulations (order flow), etc.)

Fees must be competitive in the applicable marketplace compared to similar investments; it is the responsibility of the Investment Manager to clearly articulate its own fees.

X. Investment Monitoring

The Investment Committee shall review and report investment performance quarterly to the Board of Directors. If the performance of the manager and the investment results are found to be satisfactory to the Directors, no further action is required. Unless there are extenuating circumstances, the Board of Directors recognizes that patience is often a virtue when any part of Foundation portfolio performance has been disappointing. Recognizing that short-term fluctuations in the values of Foundation portfolio investments may cause wide variations in portfolio performance, the Board will evaluate the performance of Foundation Portfolio investments and investment managers from a long-term perspective.

XI. Manager Termination

The decision to terminate a manager cannot be made by a formula. Generally, the services of an Investment Manager shall be terminated when the Directors lose confidence in the Manager's ability to:

- Achieve performance and risk objectives,
- Comply with investment guidelines,
- Comply with reporting requirements, or
- Maintain a stable organization and retain key relevant investment professionals.

Termination shall be communicated by the Board of Directors to the Investment Manager via United States Postal Service, Certified Mail, Return Receipt Requested.

This Investment Policy Statement adopted by the Board of Directors of the **Victor Valley College Foundation** on December 10, 2014.

For the BOARD OF DIRECTORS
VICTOR VALLEY COLLEGE FOUNDATION

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Director Director