STATEMENT OF INVESTMENT POLICIES AND OBJECTIVES

FOR

UNIVERSITY OF LA VERNE DEFINED CONTRIBUTION RETIREMENT PLAN

Dated: January 2, 2009
Table of Contents

I. PURPOSE OF THE POLICY STATEMENT.................................................. Page 3

II. STATEMENT OF INVESTMENT OBJECTIVES.................................... Page 3

III. TOTAL RETURN GUIDELINES............................................................... Page 3

IV. “RISK-ADJUSTED RETURN” GUIDELINES....................................... Page 3

V. RISK MANAGEMENT GUIDELINES....................................................... Page 4

VI. FUND ADDITIONS .............................................................................. Page 4

VII. FUND TERMINATION CONSIDERATIONS....................................... Page 4

VIII. RESPONSIBILITIES OF THE COMMITTEE......................................... Page 5

   1. Adherence to Statement of Investment Objectives and Policy Guidelines
   2. Discretionary Authority
   3. Communication
   4. Reporting

IX. QUARTERLY REPORTING TO THE COMMITTEE BY THE CONSULTANT........ Page 5

   1. Confidence of Committee
   2. Quantitative standards
   3. Qualitative standards
   4. Evaluation and review
I. PURPOSE OF THE POLICY STATEMENT

This statement of investment objectives and policy guidelines by University of La Verne is set forth in order that:

A. University of La Verne Retirement Plan Committee has a clear and mutual understanding of the Investment Policies, objectives and investment options of the plan.

B. University of La Verne Retirement Plan Committee has a meaningful basis for evaluation of the investment options.

II. STATEMENT OF INVESTMENT OBJECTIVES

The investment objectives and policy guidelines that follow represent the current consensus of University of La Verne’s philosophy regarding the plan’s investment options.

It is the overall goal for University of La Verne to provide the qualifying participants with an array of individual mutual funds as investment options. In achieving this goal, a diverse range of individual mutual funds has been selected to address a broad spectrum of investment styles and objectives. Criteria in the selection of funds generally include but are not limited to:

1. A minimum of five (5) years of continuous operation and monthly performance data;
2. Preference for those funds included in the Morningstar Database;
3. Fund assets at time of selection greater than $300 million;
4. A current Morningstar Rating of 3 or better at time of selection and;
5. No deferred fees, loads and/or charges.

Funds not included in the Morningstar Inc. database, such as Money Market funds, Stable Value funds or Trust Funds will be evaluated based on items 1, 3, and 5. Their performance will be compared to the returns achieved by other funds in the same category. In addition, the review of any excluded fund will be outside the scope of standard analysis for individual mutual funds as outlined in Section IX of this document.

University of La Verne seeks to have each individual mutual fund provide a prudent level of return consistent with a corresponding prudent level of risk; each individual mutual fund is primarily seeking to achieve specified objectives.

III. TOTAL RETURN GUIDELINES

There are minimum expectations for each individual mutual fund regarding performance, some of which may be more appropriate at different times and economic environments.

University of La Verne seeks to achieve, for each of the mutual funds, a compounded annual total rate of return over a market cycle or trailing three-five year basis equal to or greater than:

A. The Specified Benchmark Index; and

B. The Mean Return of a Similar Funds Universe consisting of the 20 to 30 largest funds of a fund’s Style Category as determined by Morningstar, Inc.

IV. “RISK-ADJUSTED RETURN” GUIDELINES

There is a “Risk-Adjusted Return” expectation for each individual mutual fund. Similar to the Total Return Guidelines the expectation is to exceed the “Risk-Adjusted Return” average of a peer group consisting of the largest 20-30
funds of that style category as designated by Morningstar Inc. Recognizing that an annual measurement may be too short of a time frame, this measurement is expected to be exceeded over a three-year time period.

“Risk-Adjusted Return” is a means of identifying mutual funds that have produced the highest levels of returns relative to the statistical volatility that they have taken. “Risk-Adjusted Return” is composed of two distinct components: a performance measure and a risk-assessment measure. Each component is calculated for a one year time period. “Risk-Adjusted Return” considers return and risk variables equally, so as to suit the widest range of mutual funds.

The Committee will consider the return and risk variables of each mutual fund in the context of the plan’s specific range of investment and the investment needs and economic outlooks. Regarding risk averse mutual funds, the committee will place a greater emphasis on risk, while the emphasis on more aggressive mutual funds will be on the return component. In a “Risk-Adjusted Return” system, a low-risk/low-return mutual fund and a high-risk/high-return mutual fund could achieve identical adjusted returns.

The individual components of risk and return are especially important in such a case, because these two funds would have very different purposes despite their equal risk-adjusted returns and, based on historical precedent, should produce returns that would adequately reward the participants for the risks incurred.

V. RISK MANAGEMENT GUIDELINES

University of La Verne recognizes that risk (i.e., the uncertainty of future monthly returns), is present to varying degrees with all of the mutual funds. While high levels of risk are to be avoided, the assumption of risk is warranted and encouraged in order to achieve satisfactory long-term results consistent with the objectives.

It is the opinion of the Committee that volatility analysis of investment returns contains important implications for both the Committee and the participants. The Committee does not regard the volatility of historical fund returns or view risk as merely an ancillary consideration.

VI. FUND ADDITIONS

University of La Verne recognizes that from time to time it may become necessary for the Committee to add additional funds to the portfolio, and/or additional fund categories as deemed necessary to meet the overall objectives of the plan. Agreement to add mutual funds and/or fund categories will be by consensus of the Committee.

VII. FUND TERMINATION CONSIDERATIONS

University of La Verne recognizes that from time to time it may become necessary to terminate a mutual fund from the investment lineup based on a general failure of the fund to perform adequately on an absolute and relative basis. In the course of fund termination evaluations shorter time frame comparisons are warranted and encouraged in order to achieve more timely compliance with the overall fund review process.

It is the opinion of the Committee that both investment return and volatility analysis over rolling 12-month periods of time contain important implications regarding the termination of a fund by the Committee. The Committee will be guided by a multi-step Red Flag process, which is set against a series of preset tolerance parameters for each fund. The Committee will consider the termination of a fund when 2 of the 4 following criteria are met:

A. A fund declines into the bottom 25% of a similar funds universe for both Performance and “Risk Adjusted Performance” over a rolling 12-month period; and

B. The fund’s performance falls below the 75% level of a custom benchmark index over a rolling 12-month period; and

C. The fund’s Morningstar rating falls below a 3 on a current basis
D. Deviations in the fund’s investment management style and/or changes regarding key management personnel.

VIII. RESPONSIBILITIES OF THE COMMITTEE

A. Adherence to Statement of Investment Objectives and Policy Guidelines

University of La Verne has charged the Plan committee with the responsibility for reviewing Plan investments and reporting to University of La Verne management.

B. Discretionary Authority

The Committee will be responsible for making all investment decisions regarding the selection of mutual funds for the investment options under its jurisdiction. Such discretion includes decisions to include, hold and exclude mutual funds that are reflective of the Committee’s current investment strategy and compatible with the investment guidelines.

C. Communication

The Committee may periodically inform the participants of investment strategy matters affecting the mutual fund’s investment policies or philosophy.

D. Reporting

The committee expects to receive quarterly performance reports from Capital Research & Consulting LLC on the mutual funds being used as investment options and on the ability of the Plan to meet their investment objectives. In addition to these quarterly reports, any information needed to assist the Committee in conducting its own evaluation of the mutual fund management, which Capital Research & Consulting has agreed to furnish, would be expected on a timely basis.

IX. QUARTERLY REPORTING TO THE COMMITTEE BY THE CONSULTANT

A. The confidence of the Committee regarding this investment program is based upon:

1. A selected mutual fund performing within the risk tolerance and investment guidelines of a specific investment category;
2. A selected mutual fund displaying a consistency of approach and philosophy of adhering to the stated investment strategy of a specific investment category;
3. The management team of a selected mutual fund not undergoing significant organizational changes and;
4. A selected mutual fund displaying characteristic returns relative to past performance.

B. Quantitative Standards of the Quarterly Reporting:

1. Total Return guideline adherence of each selected fund.
2. “Risk-adjusted Return” guideline adherence of each selected fund.
3. Volatility guideline adherence of each selected fund.
C. Qualitative Standards of the Quarterly Reporting:

1. Investment Style Consistency of each selected fund.
2. Investment Management Consistency of each selected fund.

D. Evaluation and Review

Evaluation of the portfolio performance and management will be conducted quarterly with the assistance of Capital Research & Consulting, LLC.