I. PURPOSE AND INTENTION

The purpose of this statement is to establish a clear understanding between the University of La Verne and their Investment Managers regarding investment objectives and policy guidelines for the University Investment Program (hereinafter referred to as the Fund).

It is intended that these objectives and guidelines provide meaningful guidance in the management of the Fund and not be overly restrictive given to changing economic, business, and investment market conditions.

This statement will be reviewed on a periodic basis. Appropriate modifications will be made in order to keep the master document clear and meaningful.

This statement outlines the University of La Verne’s investment policy for the four individual components of the Fund:

- Liquidity Funds
- Endowment/Growth Funds
- Annuity and Income Funds
- Quasi-Endowment Funds

II. INVESTMENT GUIDELINES

General

Investments, although not bound by ERISA, should be consistent with the fiduciary standards of ERISA: that is (a) the safeguards and diversity that a prudent investor would adhere to must be present, and (b) all transactions of the Plan must be in the sole interest of Plan beneficiaries.

All assets selected for the portfolio must have a readily ascertainable market value and must be readily marketable.

Realization of gains or losses should be reviewed solely in terms of investment merits.
II. INVESTMENT GUIDELINES continued

Equity investments may not exceed 70% of the Total Fund on a market value basis, nor fall below a minimum of 40% of the Total Fund at market value.

Fixed income investments to be maintained at a maximum of 60% of the total assets, based on market value and at a minimum of 20% of the total assets, based on market value.

Cash equivalents may not exceed 20% of the Total Fund at cost.

The investment advisors are granted full discretion in the use of current hedging techniques to achieve investment goals.

The Board Investment Committee may refrain from holding certain securities or investments, based on certain social criteria developed by the Board of Trustees.

III. LIQUIDITY FUNDS

The purpose of this fund is to meet the short-term cash needs of the University. The fund includes the capital campaign and clearing accounts.

Investment Parameters

(a) Preserving principal and accepting no market risk;
(b) Where possible, earn sufficient income so that all withdrawal needs are met by the income and the principal is left intact;
(c) Convenience and daily liquidity;
(d) Gaining a return on investment comparable to high grade money market funds;
(e) Investing funds on a short-term basis (one day or more).

Acceptable Instruments

(a) Money Market Funds;
(b) Certificates of Deposit;
(c) Government Agency Obligations;
(d) Commercial Paper
IV. ENDOWMENT/GROWTH FUNDS

The endowment, by definition, is funds which the donors have stipulated as a condition of the gift that principal is to be maintained inviolate and in perpetuity, for the purpose of producing present and future income to support the purpose(s) stipulated in the gift instrument.

Recognizing the need to maintain an investment return sufficient to support the program for which the principal was given, the endowment principal will be invested in those assets which have the highest statistical probability of preserving, in real rather than nominal terms, the corpus, while generating the maximum possible rate of return.

Investment Parameters

(a) The minimum acceptable total annual rate of return is 5% greater than the annual Consumer Price Index (CPI);
(b) Realizing an annual 5% cash distribution for support designated programs;
(c) Investing funds on a long-term basis (one year or more).

Acceptable Instruments

(a) Money Market Funds;
(b) Certificates of Deposit;
(c) Common and Preferred Stocks
(d) Global International Securities (up to a maximum of 10% of total endowment assets based on market value);
(e) Real Estate Trust Deeds;
(f) U.S. Government or Government Agency Obligations, Corporate and/or Convertible Bonds;
(g) Inflation Hedge Instruments of no more than 10% of the Managed Portfolio;
(h) Mutual Funds.

Guidelines

The selected Investment Managers, operating within this framework, have full discretion for the selection of assets in this portfolio. Monthly reports will be provided the University and quarterly review meetings will be held with the Board Investment Committee of the University.

V. QUASI-ENDOWMENT FUNDS

The purpose of this fund is to contain the money set aside for the specific purpose of meeting the unforeseen cash needs of the University. It is not expected that these funds will be needed for the daily operation of the University. This fund is to be managed in
accordance with the investment parameters, acceptable instruments, and guidelines set forth in section IV, the Endowment/Growth Funds.

VI. ANNUITY, TRUSTS, and INCOME FUNDS

The purpose of these funds is to maximize a current return on invested funds under acceptable market conditions. This fund includes all annuities and life income contracts.

Investment Parameters

(a) Gaining a return on investment within 2% of the current prime rate;
(b) Investing funds on an intermediate to long term basis (three months or more) to be consistent with the average life expectancy of the annuitants.

Acceptable Instruments

(a) Money Market Funds;
(b) Certificates of Deposit;
(c) Global International Securities (up to a maximum of 10% of total endowment assets based on market value);
(d) Income-oriented Securities;
(e) Short Term Bonds;
(f) Real Estate Trust Deeds;
(g) Mutual Funds.

Guidelines

The selected Investment Managers, operating within this framework, have full discretion for the selection of assets in this portfolio. Monthly reports will be provided the University and quarterly review meetings will be held with the Board Investment Committee of the University.

VII. PERFORMANCE EVALUATION

Performance will be reviewed for purposes of determining adherence to appropriate risk levels, and for comparison of total return to the established objectives and specific goals.
The University reserves the right to hire outside consultants to help management and the Board Investment Committee, to review the performance of managers, and to provide performance measurement reports.

It is recognized that investment results can fluctuate through market cycles. Achievement of total rate of return within the risk levels identified will be the primary basis upon which to evaluate manager performance. Each manager’s portfolio will be monitored quarterly by the Board Investment Committee. Annual reports from the committee will be presented to the full Board of Trustees.

VIII. SELECTION OF RETENTION POLICY

In order to retain investment management organizations that have demonstrated superior competence in executing one or more investment strategies consistent with the established policy, the following criteria will be applied in retaining existing firms and selecting new investment managers:

1. Demonstrated superior performance in one or more of the asset categories previously defined;
2. A sound research program;
3. A disciplined, consistent, and measurable approach to the construction and monitoring of portfolios;
4. Established investment control procedures with operating management information to assure regular review of the portfolio manager’s decisions;
5. Ability to trade at the lowest competitive rates and consistently secure best price execution;
6. Primary business purpose will be investment management and will have sufficient experience with educational endowment assets;
7. Demonstrated ability to manage its affairs in a business like manner and reflect a high degree of financial stability;
8. An experienced, highly competent professional staff recognized as such within the industry. Continuity of such personnel will be considered;
9. No conflict of interest with the policy, objectives, or organization of the Endowment Pool, nor any conflict which would interfere with prudent management of the Pool’s assets;
10. Capability to report accounting and performance data in a timely manner;
11. Competitive fee structure.

The Board Investment Committee will review periodically the performance of current investment managers against these criteria. Proposals by the committee to terminate existing, and/or to engage new managers, will be taken to the Executive Committee for action.
IX. Authorization

The University of La Verne authorizes its President, Executive Vice President, Vice President of University Relations, CFO, Controller, and Treasurer to deposit and withdraw funds from the various investment accounts. Two (2) signatures are required on all transactions.

This Investment Policy is adopted on_____________________________

_______________________________  _______________________________
Jim Long                         Don Wilson
Chairman, Board Executive Committee  Secretary, Board Executive Committee
# UNIVERSITY OF LA VERNE ENDOWMENT

## ASSET ALLOCATION

<table>
<thead>
<tr>
<th>ASSET CATEGORY</th>
<th>PERCENT OF ASSETS (RANGE)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash</td>
<td>0% - 20%</td>
</tr>
<tr>
<td>Equities*</td>
<td>40% - 65%</td>
</tr>
<tr>
<td>Fixed Income</td>
<td>20% - 60%</td>
</tr>
<tr>
<td>Real Estate</td>
<td>0% - 10%</td>
</tr>
</tbody>
</table>

*Note: Equity positions may contain Global International Securities of up to 10% of total endowment assets based on market value.

Approved by the University of La Verne Investment Committee of the Board of Trustees

On the _________________ day of _________________, 2000