

LOS RIOS COLLEGES FOUNDATION

AMERICAN RIVER COLLEGE ♦ COSUMNES RIVER COLLEGE ♦ FOLSOM LAKE COLLEGE ♦ SACRAMENTO CITY COLLEGE

Finance Committee

Statement of Rules, Objectives & Guidelines

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GENERAL INFORMATION

BACKGROUND

The Los Rios Colleges Foundation is a 501(c)3 non-profit entity whose mission is to invest in the students of the Los Rios Community Colleges to help them achieve their aspirations through education. The Los Rios Colleges Foundation is governed by a volunteer Board of Directors. The Board is comprised of community leaders in the Sacramento region dedicated to raising funds and implementing the programs of the Los Rios Colleges Foundation to further its mission.

PURPOSE OF THE STATEMENT OF RULES, OBJECTIVES AND GUIDELINES

In general, the purpose of this statement is to outline the philosophy and policies which will guide the financial and investment management of Foundation assets toward desired results. It is intended to be sufficiently specific to be meaningful, yet flexible enough to be practical.

The Finance Committee Statement of Rules, Objectives and Guidelines is set forth by the Board of the Los Rios Colleges Foundation in order to:

1. Define and assign the responsibilities of all involved parties.
2. Establish a clear framework and statement for all involved parties of the investment goals and objectives of Foundation assets.
3. Offer guidance and limitations to all investment consultants and managers regarding the investment of Foundation assets.
4. Establish a format for evaluating investment results.
5. Manage Foundation assets according to prudent standards as established in common trust law.
6. Establish the relevant investment horizon for which the Foundation assets will be managed.
7. Maintain compliance with the Uniform Prudent Management of Institutional Funds Act.

DUTIES AND RESPONSIBILITIES

Members of the Board of the Los Rios Colleges Foundation are fiduciaries, and are responsible for directing and monitoring the investment management of Foundation assets. Additionally, they are responsible for establishing policies used to administer the Foundation's investment activities. As such, the Board is authorized to delegate certain responsibilities and may employ or arrange for the services of such other persons, agents or assistants as are reasonably necessary or desirable for the proper administration of the Foundation's investments, and to pay reasonable compensation for their services and expenses. Any such parties associated with the Foundation will discharge their respective responsibilities in accordance with normal fiduciary standards..

RESPONSIBILITY OF THE FINANCE COMMITTEE

The Los Rios Colleges Foundation's Finance Committee, a committee established per Article IX of the by-laws of the Los Rios Colleges Foundation, is responsible for

1. Recommending and then directing and evaluating the Foundation's Investment Consultant(s);
2. Overseeing the investments of assets, including setting the target total return on investments; advising the Board on budgetary issues and spending policies;
3. Monitoring the financial status of the Foundation, including the review of the annual financial statements and Form 990;
4. Making policy recommendations to the board on gift and other fiscal policies and procedures.
5. The Finance Committee will provide a quarterly report to the Board.

The Finance Committee is comprised of members of the Los Rios Colleges Foundation Board. Membership consists of the Vice Chair, Treasurer of the Foundation, who serves as the chair of the committee, a vice chair, a representative for each college and the Foundation. In addition, the Foundation President and Secretary serve as voting members. The Associate Vice Chancellor, Finance of the Los Rios Community College District serves as a resource to the Committee.

RESPONSIBILITY OF THE INVESTMENT CONSULTANT(S)

The investment consultant's role is as an advisor to the Finance Committee of the Los Rios Colleges Foundation. Investment advice concerning the investment management of Foundation assets will be offered by the investment consultant, and will be consistent with the investment objectives, policies, guidelines and constraints as established in this statement. Specific responsibilities of the investment consultant include:

1. Assisting in the development and periodic review of investment policy, including active asset allocation and portfolio optimization.
2. Conducting investment manager searches when requested by the Finance Committee.
3. Providing "due diligence", or research, on the investment manager(s).
4. Monitoring the performance of the Investment Manager(s) to provide the Finance Committee with the information necessary to determine conformance with the investment objectives.

5. Communicating matters relating to Foundation policy, manager research, and manager performance to the Finance Committee.
6. Reviewing Foundation investment history, historical capital markets performance and the contents of the Finance Committee Statement of Objectives and Guidelines for any newly appointed members of the Finance Committee.

RESPONSIBILITY OF THE INVESTMENT MANAGER(S)

Each investment manager will have full discretion to make all investment decisions for the assets placed under its jurisdiction, **while observing and operating within all policies, guidelines, constraints, and philosophies as outlined in this statement.** Specific responsibilities of the investment manager(s) include:

1. Discretionary investment management including decisions to buy, sell, or hold individual securities, and to alter asset allocation within the guidelines established in this statement.
2. Reporting, on a timely basis, quarterly investment performance results.
3. Communicating any major changes to economic outlook, investment strategy, or any other factors that affect implementation of investment process, or the investment objective of the Manager as a participant in the Foundation's overall management of its investments.
4. Informing the Investment Consultant regarding any qualitative change to investment management organization: Examples include changes in portfolio management personnel, ownership structure, investment philosophy, etc.
5. Voting proxies, if requested by the Finance Committee, on behalf of the Foundation, and communicating such voting records to the Investment Consultant on a timely basis.

With the exception of the specific limitations described in these statements, the Finance Committee is not expected to reserve any control over investment managers' investment decisions. Investment Consultants and/or Managers will be held responsible and accountable to achieve the objectives herein stated. **While it is not believed that the limitations will hamper investment managers, each manager should request modifications, which they deem appropriate.**

RESPONSIBILITY OF THE CUSTODIAN

The custodian will physically (or through agreement with a sub-custodian) maintain possession of securities owned by the Foundation, collect dividend and interest payments, redeem maturing securities, and effect receipt and delivery following purchases and sales. The custodian may also perform regular accounting of all assets owned, purchased, or sold, as well as movement of assets into and out of the Foundation accounts.

RESPONSIBILITY OF OTHER PARTIES

Additional specialists such as attorneys, auditors, actuaries, retirement plan consultants, trustees, and others may be employed by the Finance Committee to assist in meeting its responsibilities and obligations to administer Foundation assets prudently.

If such experts employed are also deemed to be fiduciaries, they must acknowledge such in writing. All expenses for such experts must be customary and reasonable, and will be borne by the Foundation as deemed appropriate and necessary.

INVESTMENT CONSIDERATIONS

GENERAL INVESTMENT PRINCIPLES

1. Investments shall be made solely in the interest of the Foundation.
2. The Foundation shall be invested with the care, skill, prudence, and diligence with the goal of producing returns equal to or exceeding prevailing standards among foundations of similar asset size.
3. Investment of the Foundation assets shall be diversified as to minimize the risk of large losses, unless under the circumstances it is clearly prudent not to do so.
4. The Finance Committee may employ one or more investment managers of varying styles and philosophies to attain the Foundation's objectives (details under "Delegation of Authority" herein).
5. Cash is to be employed productively at all times, by investment in short-term cash equivalents to provide safety, liquidity, and return.

DEFINITION OF RISK

The Finance Committee realizes that there are many ways to define risk. It believes that any person or organization involved in the process of managing the Los Rios Colleges Foundation assets should understand how it defines risk so that the assets are managed in a manner consistent with the Foundation's objectives and investment strategy as set forth in this statement of investment policy. The Finance Committee defines risk as: The possibility of not meeting the Foundation's objectives, including loss of principal.

INVESTMENT MANAGER CONSIDERATIONS

1. Preservation of Capital - Consistent with their respective investment styles and philosophies, investment managers should make reasonable efforts to preserve capital, understanding that losses may occur in individual securities.

2. Risk Aversion - Understanding that risk is present in all types of securities and investment styles, the Finance Committee recognizes that some risk is necessary to produce long-term investment results that are sufficient to meet the Foundation's objectives. However, the investment managers are to make reasonable efforts to control risk, and will be evaluated regularly to ensure that the risk assumed is commensurate with the given investment style and objectives.
3. Adherence to Investment Discipline - Investment managers are expected to adhere to the investment management styles for which they were hired. Managers will be evaluated regularly for adherence to investment discipline.

LIQUIDITY

To minimize the possibility of a loss occasioned by the sale of a security forced by the need to meet a required payment, the Finance Committee will periodically provide investment consultant with an estimate of expected net cash flow. The Finance Committee will notify the investment consultant in a timely manner, to allow sufficient time to build up necessary liquid reserves.

To maintain the ability to deal with unplanned cash requirements that might arise, the Finance Committee requires that a minimum of 2% of Foundation assets shall be maintained in cash or cash equivalents, including money market Funds or short-term U.S. Treasury bills.

ALLOWABLE ASSETS

1. Cash Equivalents
 - Treasury Bills
 - Money Market Fund
 - STIF Fund
 - Commercial Paper
 - Banker's Acceptances
 - Repurchase Agreements
 - Certificates of Deposit
2. Fixed Income Securities
 - U.S. Government and Agency Securities
 - Corporate Notes and Bonds
 - Mortgage Backed Bonds
 - Preferred Stock
 - Maximum maturity for a single bond issue is 20 years
 - Maximum average maturity of the entire portfolio may not exceed 10 years
3. Equity Securities

- Common Stocks
 - Convertible Notes and Bonds
 - Convertible Preferred Stocks
 - American Depository Receipts (ADRs) of Non-U.S. Companies
 - Stocks of Non-U.S. Companies (Ordinary Shares)
 - Real Estate Investment Trusts (REITS) – Publicly Traded
 - Master Limited Partnerships (MLPs) – Only through a structure that avoids UBTI
4. Mutual Funds and ETFs
- Mutual Funds and ETFs, which invest in securities as allowed in this statement.
5. Alternative Investments
- Fund-of-funds instruments (FoF)
 - Mutual funds or ETFs with daily liquidity

DERIVATIVE INVESTMENTS

Derivative securities are defined as synthetic securities whose price and cash flow characteristics are based on the cash flows and price movements of other underlying securities. Most derivative securities are derived from equity or fixed income securities and are packaged in the form of options, futures, CMOs (PAC bonds, IOs, POs, residual bonds, etc.), and interest rate swaps, among others. The Finance Committee feels many derivative securities are relatively new and therefore have not been observed over multiple economic cycles. Due to this uncertainty, the Finance Committee will take a conservative posture on derivative securities to maintain its risk-averse nature. Since it is anticipated that new derivative products will be created each year, it is not the intention of this document to list specific derivatives that are prohibited from investment, rather it will form a general policy on derivatives.

The Investment Manager(s) may not utilize short selling strategies or invest Foundation assets in derivative securities unless their recommendation to do so is specifically approved by the Finance Committee.

PROHIBITED ASSETS

Prohibited investments include, but are not limited to the following (*excluding FoF's*):

1. Private Placements
2. Venture-Capital Investments
3. Direct purchase of individual Real Estate Properties
4. Interest-Only (IO), Principal-Only (PO), and Residual Tranche CMOs

PROHIBITED TRANSACTIONS

Prohibited transactions include, but are not limited to the following:

1. Short Selling (*Excluding FoF's, Mutual Funds, or ETFs*)
2. Margin Transactions

CONCENTRATION OF RISK (DIVERSIFICATION)

The Finance Committee does not believe it is necessary or desirable that securities held in the Foundation represent a cross section of the economy. However, in order to achieve a prudent level of portfolio diversification, the securities of any one government agency should not exceed 40% of the total Foundation, and no more than 20% of the total Foundation should be invested in any one industry.

INVESTMENT OBJECTIVES AND GUIDELINES

Given the diverse objectives of the individual funds which, in aggregate, comprise the Foundation's portfolio, the Board has established several pools with unique risk/reward objectives, time horizons and restrictions, and, consequently, unique asset allocation guidelines. These objectives and guidelines for each pool are addressed in APPENDICES A-D. While the Board has set minimum and maximum asset class allocations for each pool, the establishment of target asset allocations is the responsibility of the Finance Committee.

INVESTMENT CONSULTANTS & MANAGERS

INVESTMENT CONSULTANT SELECTION

The Finance Committee's recommendation to the board of an investment consultant must be based on prudent due diligence. The selection process should include a broad-based, competitive request for proposal.

INVESTMENT CONSULTANT REVIEW

Investment consultant review and evaluation will be completed on an annual basis to evaluate the performance of the plan's assets in relation to the stated investment objectives. Relative performance measurement may be utilized to evaluate investment consultant in relation to the objectives, and also in the relation to the capital markets and to managers of similar funds with like aims.

The Finance Committee should conduct a more comprehensive review of the investment consultant as deemed prudent, but at least every three years, to determine whether a new competitive proposal process is warranted. Should an RFP be deemed warranted, the selection process does not preclude the current consultant from submitting a response to the request for proposal.

INVESTMENT MANAGER CRITERIA

A qualifying investment manager must be a registered investment advisor under the Investment Advisors Act of 1940, or a bank or insurance company. The Finance Committee requires that each investment manager provide, in writing, acknowledgment of fiduciary responsibility to the Los Rios Colleges Foundation. The investment consultant is responsible for obtaining such written acknowledgment.

Investment managers considered for asset management, whether hired by an Investment Consultant, or the Foundation directly, shall be reviewed considering the following criteria:

- At least \$100 million under management
- 3-year, verifiable, AIMR-compliant track record
- Appropriate financial strength
- Qualitative analysis of research and investment processes & investment discipline
- Demonstrated Business management strengths and weaknesses
- Quality and depth of personnel
- Foundation portfolio management experience
- Dispersion of quarterly performance
- Consistency of value-added performance
- Risk in relation to appropriate benchmark
- Performance in adverse market conditions
- Diversification of holdings, quality of securities
- Manager's account minimum must be able to be satisfied

INVESTMENT MANAGER REVIEW AND EVALUATION

Performance reports generated by the investment consultant shall be compiled at least quarterly and communicated to the Finance Committee for review. The investment performance of total portfolios, as well as asset class components, will be measured against commonly accepted performance benchmarks. The performance benchmarks are detailed in the enclosed appendix. Consideration shall be given to the extent to which the investment results are consistent with the investment objectives, goals, and guidelines as set forth in this statement. The Finance Committee intends to evaluate the portfolio(s) over at least a three-year period, but reserves the right to terminate a consultant and/or manager for any reason including the following:

1. Investment performance, which is significantly less than anticipated given the discipline employed and the risk parameters established, or unacceptable justification of poor results.
2. Failure to adhere to any aspect of this statement of investment policy, including communication and reporting requirements.
3. Significant qualitative changes to the investment management organization.

Investment managers shall be reviewed regularly regarding performance, personnel, strategy, research capabilities, organizational and business matters, and other qualitative factors that may impact their ability to achieve the desired investment results.

CONFLICT OF INTEREST

It is the policy of the Board to avoid conflicts of interest in its operations and in the selection of investment managers or funds. Therefore, Foundation administrative officers or Investment Committee members shall not have a material financial relationship in any manager or fund being considered. No independent investment consultant retained by the Foundation, or any entity, in which such consultant may have an interest, shall be a party to any transaction with, or have a financial interest in, any investment manager providing services to the Foundation or any fund in which the Foundation has an investment.

BUDGET PROCESS

The Foundation fiscal year is July 1 through June 30. Staff presents a proposed operating budget for the upcoming year, to the Finance Committee during the first part of the 4th quarter. After review and appropriate adjustments, the Finance Committee recommends approval of the budget to the full Board generally at the September meeting. The budget is monitored throughout the fiscal year and approved by the Los Rios Board of Trustees. If additional operating expenses are incurred during a previously approved budget year for special projects or fiscal sponsorships, a separate column will be included on the budget report to distinguish these expenses from monitoring those on the approved budget.

OPERATING RESERVE

This Operating Reserve Policy is to establish and maintain an operating reserve in order to assure the financial health of the Los Rios Colleges Foundation and its continued general operations.

1. There shall be an “operating reserve” equal to 20% of the current operating budget.
2. The board will approve the specific dollar amount each year at the time of budgeting for the upcoming fiscal year as part thereof.
3. At the time of adoption it is the policy of the foundation to fully fund this reserve as soon as practicable while continuing the current work of the Los Rios Colleges Foundation in compliance with its Mission and Principles.

GIFT ACCEPTANCE

The Los Rios Colleges Foundation has a statement of Gift Acceptance. The Finance Committee considers all gifts, including those other than cash and securities, and recommends the appropriateness of such gifts to the

Foundation Board and the Los Rios Chancellor. In addition the Finance Committee recommends gift policies, including Charitable Gift Annuity Policies.

The Finance Committee approves any changes to the Gift Acceptance and Real Estate Acceptance Statements and is advised of any gifts which are accepted that cannot or will not be administered under the Finance Committee Statement of Objectives and Guidelines.

FUND TYPES AND AGREEMENTS

The Foundation shall maintain guidelines of the current Fund Types offered, along with Fund Agreement forms, and shall make the same available to the Board or Finance Committee upon request. The Finance Committee approves any changes to funds types, including, but not limited to, administrative fees or investments of fund assets.

FINANCE COMMITTEE STATEMENT OF RULES, OBJECTIVES, & GUIDELINES REVIEW

To assure continued relevance of the rules, guidelines, objectives, financial status, capital market expectations, as established in this Statement, the Finance Committee plans to review the Statement at least annually.

APPENDIX A - ENDOWED FUNDS INVESTMENT OBJECTIVES AND GUIDELINES

The objective of Endowed funds is to maintain such funds for perpetual duration by not expending them wholly on a current basis, while considering the donors' stated purpose of the fund. Charitable distributions will be spent from these funds according to the Foundation's spending policy stated herein. The investment strategy of the Los Rios Colleges Foundation, for its Endowed Funds, will utilize "total return;" that is, the aggregate return from capital appreciation and dividend and interest income, net of all fees, including, but not limited to, all fees charged by the Investment Consultant and all Investment Managers.

All endowed funds will have a written and signed gift instrument on file that specifies the intent of the donor to create a fund for perpetual duration, (or conversely, a fund for immediate use). The Foundation will maintain in its files a signature from the donor to signify that the donor has received a copy of the Foundation's Finance Committee Statement of Objectives and Guidelines.

Historically-created funds that do not have written language signed by the donor stating an intent to preserve perpetual duration will not fall under the definition as endowed funds. Such funds may have the principal spent down in accordance with the donor's intent.

The minimum investment level required for establishing an endowed fund has been set by the Finance Committee at \$10,000.

SPENDING POLICY FOR CHARITABLE DISTRIBUTIONS FROM ENDOWED FUNDS

The Endowment's spending policy is established to ensure the availability of grantmaking dollars and to comply with UPMIFA. The policy currently establishes a target total return of 6.5%, net of all external fees. This total return target is established based on the following formula: "Target Total Return 6.5% = 3.75% for grantmaking + 0.75% administrative fee + 2% consumer price index."

The funds available for use as described above will be calculated based on fund value as of September 30th of each year. A change to the spending percentage can only be made upon recommendation by the Finance Committee to and approval by the Board of Directors of The Los Rios Colleges Foundation.

This spending policy is set forth by the Board in order to:

1. Define the general parameters for fund eligibility to spend available dollars in grantmaking.
2. Manage Foundation assets and spending there from, according to prudent standards as established in common trust law.
3. Establish a clear understanding for all involved parties of the calculation of spending dollars for a given year.

CALCULATION OF SPENDING POLICY

The Board of the Los Rios Colleges Foundation has adopted the following calculation for grantmaking dollars available from endowed funds:

The calculation for grantmaking dollars for the upcoming calendar year will be based on the fund's fair market value as of September 30th.

At the time of fund calculation for spending for the year, 3.75% of each endowed fund's fair market value will be designated for expenditure. In accordance with UPMIFA, this will be done regardless of the actual earnings or losses for the fund during the preceding twelve months. For funds remaining under the UMIFA standards, donor instructions will prevail. Or, if a donor states a specific spending percentage that is different from that prescribed in the Finance Committee Statement of Objectives and Guidelines the donor's percentage will prevail.

A record of the initial investment to a Fund will be maintained for each fund.

INVESTMENT GOALS FOR ENDOWED FUNDS

It is the goal of the Foundation that the aggregate of endowed Foundation assets to exceed a total rate of return of 6.5%.

The investment goals above are the objectives of the aggregate endowed assets, and are not meant to be imposed on each investment account. The goal of each investment manager, over the investment horizon, shall be to:

1. Meet or exceed the market index, blended market index, or other criteria selected and agreed upon by the Finance Committee that most closely corresponds to the style of investment management.
2. Display an overall level of risk in the portfolio, which is consistent with the risk associated with the benchmark specified above. Risk will be measured by the standard deviation of quarterly returns when comparing the selected performance standards to the investment manager's performance.

Each manager shall receive a written statement outlining his specific goals and constraints to the extent they differ or are inconsistent from the objectives of the Foundation.

Excess earnings for endowed funds above the specified annual payouts will be returned to the endowed fund to protect the fund against possible downturns in the market.

UNDERWATER ENDOWED FUNDS

For all endowed funds less than 20 Percent underwater, spending distributions for the following fiscal year are determined on an annual basis utilizing the endowed fund balances, and other pertinent information. In the event

an endowment falls underwater by greater than 20 percent of the aggregate value of all contributions to an endowment fund at the time they were made, the Foundation will perform an analysis of the fund in order to make a determination on future spending distributions. Following the analysis of a fund, the Foundation will make a decision on future spending distributions relative to that fund.

ASSET ALLOCATION GUIDELINES FOR ENDOWED FUNDS

Investment management of the assets of endowed funds shall be in accordance with the following asset allocation guidelines. *Preferred numbers within the minimum and maximum of each asset class are set at least annually by the Finance Committee.*

1. Aggregate Foundation Asset Allocation Guidelines (at market value)

| <u>Asset Class</u> | <u>Minimum</u> | <u>Maximum</u> |
|-------------------------|----------------|----------------|
| Domestic Equities | 25% | 60% |
| International Equities | 25% | 50% |
| Fixed Income | 17% | 50% |
| Cash and Equivalents | 2% | 10% |
| Alternative investments | 0% | 20% |

2. The Finance Committee may employ investment managers whose investment disciplines require investment outside the established asset allocation guidelines. However, taken as a component of the aggregate, such disciplines must fit within the overall asset allocation guidelines established in this statement. Such investment managers will receive written direction from the Investment Consultant regarding specific objectives and guidelines.

It is the task of the Finance Committee to monitor the allocations and maintain the balance as set forth in the Finance Committee Statement of Objectives and Guidelines.

In the event that the above aggregate asset allocation guidelines are violated, for reasons including but not limited to market price fluctuations, the Finance Committee will instruct the Investment Consultant to take such action as may be reasonably required to bring the portfolio(s) into compliance with these guidelines as promptly and prudently as possible.

ALLOCATION OF EARNINGS

Endowed (Permanently Restricted) Funds will be credited quarterly with earnings from the endowed portfolio including any cash or cash equivalents in the endowed portfolio. The share shall be determined at or as of the quarter ending balance for each account relative to the total endowed portfolio.

APPENDIX B – CAMPAIGN PORTFOLIO INVESTMENT OBJECTIVES AND GUIDELINES

The objective of the Campaign Portfolio shall be preservation of purchasing power. The portfolio has a target cash allocation of 20% based on distribution needs. The remaining portfolio will be invested in a combination of Government/Corporate Bonds.

ALLOCATION OF EARNINGS

Capital Campaign funds will be credited quarterly with share earnings from the Short Duration Fixed Income Portfolio and Cash Management Portfolio.

APPENDIX C – NON-ENDOWED INVESTMENT OBJECTIVES AND GUIDELINES

There are three investment portfolios for non-endowed funds. The choice of the appropriate portfolio is made by the Finance Committee of the Los Rios Colleges Foundation. This choice will take into account the intent of the donor, if specified, and the time horizon of expected use of the funds. Non-endowed funds will be deposited into the investment portfolio of stocks and bonds (called “Balanced Portfolio: below) *only* as directed by the Finance Committee of the Los Rios Colleges Foundation Board.

Investment options for non-endowed funds include but are not limited to the following:

Cash Management Portfolio

The objective of the Cash Management Portfolio shall be preservation of capital. The portfolio will be invested in money market funds.

Short Duration Fixed Income Portfolio

The objective of a Short Duration Fixed Income Portfolio shall be preservation of purchasing power. The portfolio has a target cash allocation of 20%. The remaining portfolio will be invested in a combination of Government/Corporate Bonds with a maximum duration of 5 years and no single security greater than 10 years.

Balanced Portfolio

The objective of a Balanced Non-endowed Portfolio emulates the Endowed strategy stated above. In order to meet its needs, the investment strategy of the Los Rios Colleges Foundation is to emphasize total return; that is, the aggregate return from capital appreciation and dividend and interest income.

ALLOCATION OF EARNINGS

Non-endowed (Temporarily Restricted and Unrestricted) funds are not credited with earnings. Earnings from the investment of these funds in any of the investment options listed above are credited to an unrestricted account at each college and entity-wide quarterly. The share of any earnings will be based upon the total non-endowed for each relative to the total non-endowed.

APPENDIX D – DEFINITIONS

1. “Administrative Fee” refers to the percent the Foundation may assess to a fund on an annual basis for administration, including management and reporting, throughout the year. For those funds which have a Fund Agreement, the administrative fee is defined in that Agreement.
2. “Board” shall mean the Board of Directors of the Los Rios Colleges Foundation.
3. “Custodian” refers to a bank or financial institution that has custody of stock certificates and other assets of a mutual fund, individual, corporation, or institution. Custodians hold assets in safekeeping, collect income on securities in custody, settle transactions, invest cash overnight, handle corporate accounting, and provide accounting reports.
4. “Endowed” refers to a fund wherein the donor intent is that the fund will be maintained for perpetual duration, and cannot be wholly expended on a current basis. Once sufficient assets have accumulated to achieve a designated purpose, they may be spent, subject to the Foundation’s spending policy or limitations specified by the donor.
5. “Foundation” shall mean the Los Rios Colleges Foundation.
6. “Finance Committee” shall refer to the committee established to administer the financial assets as specified by applicable articles and by-laws.
7. “Fiduciary” shall mean any individual or group of individuals that exercise discretionary authority or control over Foundation management or any authority or control over management, disposition or administration of the Foundation assets.
8. “Fund” or “Account” used interchangeably means the use of a distinct set of codes to record and maintain financial activity by source or use.
9. “Fund Agreement” shall mean the instrument a living donor executes defining their intent as to the terms, investment and grantmaking, which a fund they are creating is subject to.
10. “Investment Horizon” shall be the time period over which the investment objectives, as set forth in this statement, are expected to be met. The investment horizon for this Foundation is infinite.
11. “Investment Consultant” shall mean any individual or organization employed to provide advisory services, including advice on investment objectives and/or asset allocation, manager search, and performance monitoring.

12. "Investment Manager" shall mean any individual, or group of individuals, employed to manage the investments of all or part of the Foundation assets.
13. "Non-endowed" refers to a fund wherein the donor intent is that both the principal and earnings may be available for grantmaking.
14. "Restricted Funds" Funds are classified as Unrestricted, Temporarily Restricted or Permanently Restricted. The level of restriction is determined by donor intent. Those funds that are "Permanently Restricted" require the charity to preserve principal in accordance with UPMIFA by maintaining purchasing power of amounts contributed and spend income by making a distribution each year using a reasonable spending rate according to the Foundation's spending policy.
15. "Unrestricted" funds have no restriction imposed and may be used for any purpose in support of the Foundation including administrative costs.
16. "Securities" shall refer to the marketable investment securities defined as acceptable in this statement.
17. "Spending Considerations" shall refer to the policy established (calculation procedures) to assure the availability of grantmaking dollars for endowed funds, forever. The intent of the policy is to preserve the fund value such that grantmaking dollars will be available, as a donor intends, in perpetuity.
18. "Temporarily Restricted" funds may spend both principal and earnings and have a restriction imposed such as a time horizon or defined purpose for which the funds are to be used.
19. "Total Return" is the industry standard measurement of performance for a security or investment portfolio, which includes interest, dividends, capital (price) appreciation or depreciation, and distributions generated by the investment. Total return is typically quoted as a cumulative return for time periods less than one year, and as an annualized return for time periods longer than one year.
20. Uniform Prudent Management of Institutional Funds Act (UPMIFA) effective in California as of January 1, 2009, is also known as the "law of endowments." UPMIFA updated the Uniform Management of Institution Funds Act (UMIFA) which defined the prudence standard applicable to the management and investment of charitable funds. UPMIFA also modernized the rules governing expenditures from endowment funds, both to provide better guidance on spending from endowment funds and to give institutions the ability to cope more easily with fluctuations in the value of the endowment. Finally, UPMIFA adopts provisions governing the release and modification of restrictions on charitable funds to permit more efficient management of these funds.