Statement of Investment Policy, Objectives and Guidelines

GENERAL INFORMATION

The West Hills Community College Foundation is a 501(c)3 educational trust fund established as a community college district foundation in 1983. This Foundation provides support of educational excellence as a function of the mission of the College and its priorities. Contributions to *WHCC* Foundation are in the form of gifts from individuals, families, corporations, and foundations.

The Statement of Investment Policy is required to be reviewed annually by the Foundation's Board of Directors.

SCOPE OF THIS INVESTMENT POLICY

This statement of investment policy reflects the investment policy, objectives, and constraints of the entire *WHCC* Foundation.

Furthermore for the purpose of this investment policy it is understood that endowment accounts are invested in the same manner as general foundation funds but are tracked separately for accounting purposes. Additionally the foundation has a policy (the spending policy) of distributing to beneficiaries each year a percentage of the endowments funds average fair value over the prior 12 quarters through the year-end preceding the year in which the expenditure is planned. In establishing the percentage for distribution, the foundation considers the long-term projected return on its endowment. The foundation has established a distribution rate of 5% and expects over the long term the current spending policy will allow its endowment to grow at an average of 3% annually. Actual returns in any given year will vary from the amount distributed. This spending policy supports the foundation's objective to maintain the purchasing power of endowment assets.

The endowment spending policy is reviewed annually by the Foundation's Board of Directors, which has the discretion of not awarding scholarships in years where the endowment principle would be eroded**.**

PURPOSE OF THIS INVESTMENT POLICY STATEMENT

This statement of investment policy is set forth by the Investment Committee of the *WHCC* Foundation in order to:

1. Define and assign the responsibilities of all involved parties.
2. Establish a clear understanding for all involved parties of the investment goals and objectives of Fund assets.
3. Offer guidance and limitations to all Investment Managers regarding the investment of Fund assets.
4. Establish a basis for evaluating investment results.
5. Manage Fund assets according to prudent standards as established in common trust law.
6. Establish the relevant investment horizon for which the Fund assets will be managed.

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

DELEGATION OF AUTHORITY

The Investment Committee of the *WHCC* Foundation is a fiduciary, and is responsible for directing and monitoring the investment management of Fund assets. As such, the Investment Committee is authorized to delegate certain responsibilities to professional experts in various fields. These include, but are not limited to:

1. Investment Management Consultant. The consultant may assist the Investment Committee in: establishing investment policy, objectives, and guidelines; selecting investment managers; reviewing such managers over time; measuring and evaluating investment performance and other tasks as deemed appropriate.

2. Investment Manager. The investment manager has discretion to purchase, sell, or hold the specific securities that will be used to meet the Fund's investment objectives.

3. Custodian. The custodian will physically (or through agreement with a sub-custodian) maintain possession of securities owned by the Fund, 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 Fund accounts.

The Investment Committee will not reserve any control over investment decisions, with the exception of specific limitations described in these statements. 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.

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 Fund as deemed appropriate and necessary.

DEFINITIONS

1. "Fund" shall mean the *WHCC* Foundation.

2. "Investment Committee" shall refer to the governing board established to administer the Fund as specified by applicable ordinance.

3. "Fiduciary" shall mean any individual or group of individuals that exercise discretionary authority or control over fund management or any authority or control over management, disposition or administration of the Fund assets.

4. "Investment Manager" shall mean any individual, or group of individuals, employed to manage the investments of all or part of the plan assets.

5. "Investment Management 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.
6. "Securities" shall refer to the marketable investment securities, which are defined as acceptable in this statement.
7. "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 Fund is 10 years.

ASSIGNMENT OF RESPONSIBILITY

Responsibility of the Investment Committee of the WHCC Foundation

The Investment Committee is charged by law with the responsibility for the management of the assets of the Fund. The Investment Committee shall discharge its duties solely in the interest of the Fund, with the care, skill, prudence and diligence under the circumstances then prevailing, that a prudent man, acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character with like aims. The specific responsibilities of the Investment Committee relating to the investment management of Fund assets include:

1. Projecting the Fund's financial needs, and communicating such needs to the Investment Managers on a timely basis.

2. Determining the Fund's risk tolerance and investment horizon, and communicating these to the appropriate parties.

3. Establishing reasonable and consistent investment objectives, policies and guidelines which will direct the investment of the Fund's assets.

4. Prudently and diligently selecting qualified investment professionals, including Investment Manager(s), Investment Consultant(s), and Custodian(s).

5. Quarterly evaluating the performance of the Investment Manager(s) to assure adherence to policy guidelines and monitor investment objective progress.

6. Developing and enacting proper control procedures: For example, replacing Investment Manager(s), Investment Consultant(s), or Custodian(s) due to fundamental change in investment management process or the failure to comply with established guidelines or contractual obligations or any other reason.

Responsibility of the Investment Consultant(s)

The Investment Consultant's role is that of a non-discretionary advisor to the Investment Committee of the *WHCC* Foundation. Investment advice concerning the investment management of Fund 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.

2. Conducting investment manager searches when requested by the Investment Committee.

3. Providing "due diligence", or research, on the Investment Manager(s).

4. Monitoring the performance of the Investment Manager(s) to provide the Investment Committee with the ability to determine the progress toward the investment objectives.

5. Communicating matters of policy, manager research, and manager performance to the Investment Committee.

6. Reviewing Fund investment history, historical capital markets performance and the contents of this investment policy statement to any newly appointed members of the Investment Committee.

Responsibility of the Investment Manager(s)

Each Investment Manager must acknowledge in writing its acceptance of responsibility as a fiduciary. 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 which affect implementation of investment process, or the investment objective progress of the Fund's investment management.

4. Informing the Investment Committee 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 Investment Committee, on behalf of the Fund, and communicating such voting records to the Investment Committee on a timely basis.

GENERAL INVESTMENT PRINCIPLES

1. Investments shall be made solely in the interest of the beneficiaries of the Fund.

2. 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 like character and with like aims.

3. Investment of the Fund shall be so diversified as to minimize the risk of large losses, unless under the circumstances it is clearly prudent not to do so.

4. The Investment Committee may employ one or more investment managers of varying styles and philosophies to attain the Fund's objectives.

5. Cash is to be employed productively at all times, by investment in short term cash equivalents to provide safety, liquidity, and return.

6. All contractual arrangements related to the management of the Fund's investments shall be entered into on a "may be terminated immediately upon written notice" basis.

INVESTMENT MANAGEMENT POLICY

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 Investment Committee recognizes that some risk is necessary to produce long-term investment results that are sufficient to meet the Fund'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 will adhere to the investment management styles for which they were hired. Managers will be evaluated regularly for adherence to investment discipline.

GOAL OF FOUNDATION

The Investment Committee feels that grants to be made in the future are as important as grants made today. This is consistent with the philosophy that this Foundation is to exist in perpetuity, and therefore, should provide for grant making in perpetuity. To attain this goal, the overriding objective of this foundation is to maintain purchasing power. That is, net of spending, the objective is to grow the aggregate portfolio value at the rate of inflation over the Foundation's investment horizon. The Foundation's specific investment objectives will be established later in this document.

ATTITUDE TOWARD GIFTS

Future giving to this Foundation is expected to be inconsistent, and therefore, unpredictable. As a result, the Investment Committee has set an investment strategy with the objective of maintaining purchasing power of Foundation assets before consideration of gifts. Accordingly, future giving will serve to increase purchasing power. Therefore, expectations may be expressed by the following equation:

Total Return = Spending + Inflation, while Giving = Increase in Purchasing Power

SPENDING POLICY

The Board of Directors will attempt to balance the Foundation's shorter-term grant making obligations with its goal to provide grants into perpetuity, and therefore design a spending policy which is flexible. Since expected investment returns from "riskier" portfolios are not consistent and predictable, the Board of Directors feels that shorter-term spending in dollar terms must be flexible enough to endure periods of underperformance without excessive deterioration of real principal. Therefore, this Board of Directors may tend toward an investment strategy seeking higher long-term investment returns than would be the case if grant making from year to year were less flexible. **The Board of Directors will set <u>minimum</u> spending objectives per applicable regulations.**

INVESTMENT OBJECTIVES

In order to meet its needs, the investment strategy of the WHCC Foundation is to emphasize total return; that is, the aggregate return from capital appreciation and dividend and interest income.

Specifically, the primary objective in the investment management for Fund assets shall be:

Preservation of Purchasing Power -To achieve returns in excess of the rate of inflation over the investment horizon in order to preserve purchasing power of Fund assets. Risk control is an important element in the investment of Fund assets.

The secondary objective in the investment management of Fund assets shall be:

Income and Growth -To achieve a balanced return of current income and modest growth of principal.

CAPITAL MARKETS TARGETED EXPECTATIONS

The specific investment goals below are based on the following expectations of return from the capital markets:

Asset Class	Targeted Return
Equities	5.0%
Intermediate Govt. Bonds	2.5%
90 Day T-Bills	.05%
CPI	1.5%

Glossary of Terms:

Equities/S&P 500: Capitalization-weighted composite index including 400 industrial, 20 transportation, 40 financial, and 40 utility issues offered on the New York Stock Exchange.

Intermediate Govt. Bonds: Public obligations of the US Treasury with maturities between 1 and 9.9 years.

90 Day T -Bills: Unweighted average of weekly auction offering rates of 90 day T -bills.

SPECIFIC INVESTMENT GOALS

Over the investment horizon established in this statement, it is the goal of the aggregate Fund assets to meet or exceed:

The rate of inflation (as measured by the Consumer Price Index) by 1.5%.

The return of a balanced market index comprised of 60% S&P 500 and 40% Lehman Brothers Govt. /Corp. bond index.

The investment goals above are the objectives of the aggregate Fund, and are not meant to be imposed on each investment account (if more than one account is used). The goal of each investment manager, over the investment horizon, shall be to:

1. Meet or exceed the market index, or blended market index, selected and agreed upon by the Investment Committee that most closely corresponds to the targeted returns.

2. Display an overall level of risk in the portfolio which is consistent with the targeted returns.

VOLATILITY OF RETURNS

The Foundation Board acting as a committee of the whole understands that in order to achieve its objectives for Fund assets, the Fund will experience volatility of returns and fluctuations of the market value. To offset some of the expected volatility, the Fund shall be so diversified as to minimize the risk of large losses through difficult periods of the market cycle. The Foundation Board acting as a committee of the whole also realizes that the Fund's return objective is its primary concern and that the Fund may experience periods of absolute negative returns, in order to reach the Fund's long term goals.

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 Investment Committee will periodically provide investment advisor with an estimate of expected net cash flow. The Investment Committee will notify the investment advisor in a timely manner, to allow sufficient time to build up necessary liquid reserves. At least 3-6 months of cash flow needs will be maintained in the portfolio at any given time. On a quarterly basis, the Investment Committee will review and anticipate the future quarter's liquidity needs.

MARKETABILITY OF ASSETS

The Investment Committee requires that all of Fund assets except real estate be invested in liquid securities, defined as securities that can be transacted quickly and efficiently for the Fund, with minimal impact on market price.

INVESTMENT GUIDELINES

Allowable Assets

1. Cash Equivalents
   .Treasury Bills

.Money Market Funds
.STIF Funds
.Commercial Paper
.Banker's Acceptances
.Repurchase Agreements
.Certificates of Deposit

1. Fixed Income Securities
   .U.S. Government and Agency Securities
   .Corporate Notes and Bonds
   .Mortgage Backed Bonds
   .Preferred Stock
   .Fixed Income Securities of Foreign Governments and Corporations
   .Collateralized Mortgage Obligations
   .Tax free and taxable Municipal Bonds

2. 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)

3. Mutual Funds
   .Mutual Funds which invest in securities as allowed in this statement.

5. Other Assets
   .GIC's
   .Real Estate Investment Trusts
   .Structured Notes
   .Exchange Traded Funds

Prohibited Assets

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

1. Physical Commodities and Futures Contracts
2. Private Placements
1. Options
2. Short Selling
5. Margin Transactions

Asset Allocation Guidelines

Investment management of the assets of the WHCC Foundation shall be in accordance with the following asset allocation guidelines:

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

Asset Class	Minimum	Maximum	Target
Equities	30%	75%	60 %
Fixed Income	25%	100%	40 %
Cash and Equivalents	0%	100%	0%

Guidelines for Fixed Income Investments and Cash Equivalent

1. 95% of Fixed Income assets may be invested in bonds rated BBB or better. This limitation is meant to serve as a guideline for new purchases and not to restrict the portfolio due to bond downgrades or fixed income investments transferred into the Fund.

2. Fund assets may be invested only in commercial paper rated A1 (or equivalent) or better.

3. Fixed income maturity restrictions are as follows:
   .Maximum maturity for any single security is 20 years.
   .Weighted average portfolio maturity may not exceed 20 years.

4. Money Market Funds selected shall contain securities whose credit rating at the absolute minimum would be rated investment grade by Standard and Poors, and/or Moody's

INVESTMENT MANAGER PERFORMANCE REVIEW AND EVALUATION

Performance reports generated by the Investment Consultant shall be compiled at least quarterly and communicated to the Investment Committee for review. The investment performance of total portfolios, as well as asset class components, will be measured against commonly accepted performance benchmarks. 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 Investment Committee intends to evaluate the portfolio(s) over at least a three-year period, but reserves the right to terminate a 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.

INVESTMENT POLICY REVIEW

To assure continued relevance of the guidelines, objectives, financial status and capital markets expectations as established in this statement of investment policy, the Investment Committee plans to review investment policy at least annually.
This statement of investment policy was reviewed on ***January 22, 2014*** by the WHCC Foundation Board of Directors whose officers' signatures appear below.

/s/ Ann Stone _____ ***Ann Stone, President***

/s/ Laura Mendes-Moore _____ ***Laura Mendes-Moore, Secretary***

/s/ Ernest Drewry _____ ***Ernest Drewry, Chief Financial Officer Foundation***

Reviewed & Approved: December 2, 2003
Revised: November 30, 2006 -Change to page 6 paragraph: Volatility of Returns
Revised: July 18, 2007- Remove Jack Mahrt, no longer employed by WHC
Revised: August 27, 2008- Motion to remove Ted Frame resigned as of June 9, 2008
Revised: September 12, 2012:

- General Information-annual review
- Scope of Investment Policy: addition of endowment statements
- Capital Markets expectations
- Asset Allocation Guidelines
- Fixed Income Guidelines

Revised: January 23, 2013

- Spending policy-remove the term “a more aggressive”
- Capital Markets Expectations—significant changes to “targeted” returns
- Specific Investment Guidelines—change CPI to 1.5%; refer to targeted returns instead of “style of investment management); remove the final sentence of item 2
- Liquidity—Change the words investment counsel to investment advisors. Add a sentence: At least 3-6 months of cash flow needs will be maintained in the portfolio at any given time.
- Investment Guidelines—Item 2, add tax-free and taxable municipal bonds; Item 5, change Other Assets section to include GIFs, REITs, structured notes and ETFs.
- Prohibited Assets—Change Item 1 to Physical Commodities and Futures Contracts
- Asset Allocation Guidelines—Revise equities from a minimum of 45 to a minimum of 30%; revised fixed income from a maximum of 55% to a maximum of 100%; revise cash and equivalents from a maximum of 15% to a maximum of 100%; change maximum maturity from 10 to 20 years.
- Investment Policy Review—Remove Leonard Falter’s name due to resignation

Reviewed & Approved: January 22, 2014