ASSISTANCE LEAGUE® of the FOOTHILL COMMUNITIES

INVESTMENT POLICY

I. Introduction

The Board of Assistance League of the Foothill Communities ("Board") holds all funds of Assistance League of the Foothill Communities as a fiduciary and is therefore responsible for sound financial management. The following Investment Policy ("IP") is to be considered in light of an overall sense of stewardship.

The purpose of this IP shall be to define investment objectives, set forth investment guidelines and assign responsibility for the implementation of the investments associated with Assistance League of the Foothill Communities. This IP shall serve as the cornerstone by which all investment purchases and sales shall be monitored for suitability and performance.

II. Delegation of Authority

The Board delegates supervisory authority over its investments to the Finance Committee. The Finance Committee is responsible for regularly reporting on investments to the Board. In carrying out its responsibilities, the Finance Committee and its agents shall act in accordance with this IP and all applicable laws and regulations. Any changes to this IP shall be approved by the Board.

The Board and the Finance Committee are authorized to retain one or more investment professionals to advise the chapter in the investment management of funds and assets owned or administered. The investment professional (or firm) shall be registered in the securities industry with the governing bodies, i.e. Securities and Exchange Commission (SEC), Financial Industry Regulatory Authority (FINRA) and affiliated with a registered broker/dealer. With the approval of the Board, the Finance Committee is authorized to receive reports from, pay compensation to and enter into agreements with such professionals.

III. Investment Objectives

The investment objectives guide the investment of funds held by Assistance League of the Foothill Communities. Each tier serves a specific purpose to address the operational needs of the organization.

Tier 1 - Current Operating Funds: The purpose of this tier is to assure adequate liquidity and safety for current operations. To achieve this goal, the Finance Committee shall match maturities of Tier 1 investments to the chapter's cash flow draw-down requirements for the current year. The Tier 1 investments shall be "risk free" in nature and maturities shall not exceed 180 days.

Tier 2 - Operating Budget Reserve Funds: The purpose of this tier is to ensure adequate resources for a one-year operating budget reserve. When investing these reserve funds, emphasis will be placed on safety, liquidity and yield in that order. The Tier 2 investments shall be "risk free" in nature and maturities shall not exceed 365 days.

Tier 3 – Investable Funds: The purpose of this tier is to invest any excess cash above amounts designated in Tier 1 and Tier 2. Investments in this tier will provide income and growth with reasonable liquidity. A balanced mix of fixed income and equity mutual funds is appropriate for this tier.

Tier 4 - Endowment Funds: The purpose of this tier is to maximize total return consistent with safety of principal. Liquidity is a secondary objective.

Tier 5 - Capital Campaign Funds: The purpose of this tier is to assure adequate liquidity and safety for contributions received for a new building project until funds are needed. The Finance Committee shall match maturities of Tier 5 investments to the chapter's cash flow draw-down requirements during the construction phase.

IV. Asset Allocation

The asset allocation denotes what the allowable ranges of investment are for each asset class as a percentage of each tier.

	Acceptable Ranges of Investment		
	Equities	Fixed-income	Cash and Cash Equivalents
Tier 1 - Operating Funds	0%	0%	100%
Tier 2 - Operating Budget Reserve	0%	0-100%	0-100%
Tier 3 – Investable Funds	0-70%	0-80%	0-20%
Tier 4 - Endowment Funds	0-70%	0-80%	0-20%
Tier 5 - Capital Campaign Funds	0%	0-100%	0-100%

V. Investment Guidelines

A. Allowable Assets: To accomplish the chapter's investment objectives, the following types of investments shall be allowed:

1. Cash and cash equivalents – Cash and cash equivalents should be "risk-free" assets and may include: a) U.S. Treasury bills; b) commercial paper rated A-1 or better by Standard & Poor's or P-1 or better by Moody's;

c) certificates of deposit from institutions insured by Federal Deposit Insurance Corporation (FDIC); d) money market funds which invest primarily in instruments described in a) through c) above.

2. Fixed income securities – Government and agency securities, corporate notes and bonds, and mortgage-backed bonds. The quality rating of bonds must be A or better, as rated by Standard & Poor's or other equivalent rating services. The portfolio may consist only of traditional principal and interest obligations with maturities of five (5) years or less.

3. Mutual funds - Styles of mutual funds, including exchange traded funds (ETF) shall be limited to: equity, fixed income, index, asset allocation and balanced. No mutual fund or ETF that has a Morningstar rating of less than four (4) stars shall be allowed. Attention shall be paid to the fee structure of any mutual fund purchased. Fixed income and equity securities are defined as:

   a. Fixed income - see item 2 above.

   b. Equity securities are defined as common stock or preferred stock that shall be unrestricted and publicly traded on a major exchange or a national over-the-counter market in developed markets as specified by Morgan Stanley Capital Investment (MSCI).

B. Ineligible investments and transactions: The following types of investments and transactions shall be prohibited:

1. Investments including: individual common stocks or preferred stocks, emerging markets equity securities as defined by MSCI, single sector or industry mutual funds (such as Master Limited Partnerships (MLPs), Real Estate Investment Trusts (REITs)), leveraged bonds, unit investment trusts.

2. Transactions involving: margin, short selling, derivatives (such as futures, forwards, options, swaps), commodities.

VI. <u>Assignment of Responsibilities</u>

A. Responsibilities of the Board of Assistance League of the Foothill Communities:

Specific responsibilities of the Board include, but are not limited to:

1. Projecting the chapter's financial needs.

2. Approving this IP and its subsequent revisions as recommended by the Finance Committee.

3. Reviewing the Finance Committee's annual reports following fiscal year-end.

B. Responsibilities of the Finance Committee:

The Finance Committee shall have full discretion to make all investment decisions for the assets placed under its jurisdiction, while adhering to the specific limitations and guidelines set forth in this IP. Specific responsibilities of the Finance Committee include, but are not limited to:

1. Discretionary investment management, including decisions to buy, sell or hold individual securities and to alter asset allocation within the guidelines established in this IP.
2. Monitoring and evaluating performance results to ensure that policy guidelines are being adhered to and that objectives are being met.
3. Meeting, at least annually, with the investment adviser to review past account performance, observe current market conditions and adjust as necessary the coming year's allocation mix.
4. Reporting investment performance results to the Board on an annual basis following fiscal year-end.
5. Reviewing and evaluating investment advisers at least every two years.
6. Drafting, reviewing, and revising this IP and recommending for Board approval.

C. Responsibilities of Investment Broker:

The investment broker is required to adhere to the specific limitations and guidelines set forth in this IP. Specific responsibilities of the investment broker include, but are not limited to:

1. Placing buy and sell orders at the direction of the Finance Committee. The investment broker shall not have discretionary power to initiate buy/sell orders at any time without the approval of the Finance Committee.
2. Providing quarterly statements and year-end performance evaluations in writing to the Finance Committee.
3. Communicating any change in market conditions or specific investments to the Finance Committee and making specific recommendations for consideration.
4. Disclosing to the Finance Committee all sales charges and fees prior to any transaction and in the year-end performance evaluation.
5. Meeting, at least annually, with the Finance Committee to review past account performance, observe current market conditions and adjust as necessary the coming year's allocation mix.