Investment Policy Statement

for

College of the Desert Foundation

April 25, 2011

Revised April 24, 2013

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I. Introduction

Information about the Foundation and the Purpose of the Funds

College of the Desert Foundation

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Primary Contact: Russ Russell, Chairman of the Investment Committee

Foundation Assets: $18,691,941 *(As of 9/30/2010)*

Foundation Assets: $24,036,495 *(As of 4/30/2013)*

About College of the Desert Foundation

The College of the Desert Foundation is a Private Foundation.

Purpose of this Investment Policy Statement

This Investment Policy Statement (the "Policy Statement") outlines the goals and investment objectives of College of the Desert Foundation ("the Foundation"). Since this Policy Statement is intended to provide guidance for the Investment Committee ("the Committee") and the investment managers responsible for managing the Foundation's assets, it outlines certain specific investment policies which will govern how to seek to achieve those goals and objectives. This Policy Statement, upon the review and approval of the Investment Committee:

- Describes a risk posture for the investment of the Foundation's assets;
- Specifies the target asset allocation policy for those assets;
- Establishes investment guidelines regarding the selection of investment manager(s), permissible securities and diversification of assets;
- Specifies the criteria for evaluating the performance of the Foundation's investment manager(s) and of the Foundation investment portfolio as a whole; and
- Defines certain responsibilities of the Committee, the consultant, the investment managers, and other specified parties.

The Committee believes that the investment policies described in this Policy Statement should be dynamic. These policies should reflect the Foundation's current financial status, and the Committee's philosophy regarding the investment of assets. These policies should be reviewed by the Committee periodically and revised as necessary to ensure that they continue to reflect the current financial situation of the Foundation and the capital markets.

This Policy Statement was prepared based upon the information provided by the Committee in the Merrill Lynch Investment Policy Statement Service Questionnaire. It is the Committee's responsibility to provide all the necessary and relevant information for its preparation. This information, as well as the Policy Statement itself, should be reviewed periodically for its continued accuracy and completeness.

II. Responsibilities of the Foundation Representatives :

The Investment Committee

As fiduciaries, the Investment Committee is ultimately responsible to the Foundation.

The Investment Committee

The primary fiduciary responsibilities of the Committee with respect to the oversight of the investment portfolio are:

- Establish and approve an investment policy statement and periodically review that statement for continued accuracy and completeness;
- Prudently diversify, or oversee the diversification of, the portfolio assets to meet an agreed upon risk/return profile;
- Prudently select investment options, including the selection of one or more investment managers; with input from the consultants;
- Monitor the investment managers and the performance of the accounts under management;
- Consider the information provided by the consultant and other professional advisors and act accordingly;
- Control and oversee all investment, record keeping and administrative expenses associated with the accounts; and
- Review and deal prudently with conflicts of interest.

The Consultant

The Committee should retain an advisor or consultant (the "consultant") to:

- Assist the Committee in strategic investment planning for the Foundation by providing assistance in developing an investment policy, an asset allocation strategy, and portfolio structure;
- Provide written performance measurement reports on at least a quarterly basis;
- Assist the Committee in its selection of investment manager(s) and strategies; and
- Meet with the Committee annually to help it review investment performance and consider whether any changes or other actions are called for with respect to the investment portfolio.

The Custodian

The Custodian is responsible for the safekeeping of the Foundation's investment assets. The specific duties and responsibilities of the custodian include:

- Maintain separate accounts by legal registration;
- Value the holdings;
- Collect all income and dividends owed to the Foundation in its custody;
- Settle all transactions initiated by the investment manager; and
- Provide monthly reports that detail transactions, cash flows, securities held and their current value, and change in value of each security and the overall portfolio since the previous report.

III. Objectives

Risk Tolerance

Investment theory and historical capital market return data suggest that, over long periods of time, there is a relationship between the level of risk assumed and the level of return that can be expected in an investment program. In general, higher risk (i.e., volatility of return) is associated with higher return.

Given this relationship between risk and return, a fundamental step in determining the investment policy for the Foundation is the determination of an appropriate risk tolerance. The Committee examined its willingness to take risk and the Foundation's financial ability to take risk based upon relevant factors, including:

Factors that contribute to a higher risk tolerance are:

1) The Foundation can take advantage of a long time horizon;
2) The Foundation has no defined finite liabilities.

Offsetting these factors are:

1) The Foundation has no other sources of income to meet its spending needs;
2) Large fluctuations may affect Foundation's willingness to maintain the investment strategy;

Based on these factors, the Committee chose a moderate risk profile. This profile is for investors who are willing to take a moderate level of risk. Primary emphasis is to strike a balance between portfolio stability and portfolio appreciation. Investors using this model should be willing to assume a moderate level of volatility and risk of principal loss. A typical portfolio will primarily include a balance of fixed income and equities.

Investment Objectives

The Foundation's assets should be invested in accordance with sound investment practices that emphasize long-term investment fundamentals. The objectives of this Foundation are to maximize long-term returns consistent with prudent levels of risk. Investment returns are expected to provide adequate funds to sufficiently support designated needs and preserve or enhance the real value of the Foundation. In establishing the investment objectives of the Foundation, the Committee has taken into account the time horizon available for investment, the nature of the Foundation's cash flows and liabilities, and other factors that affect the Foundation's risk tolerance. Accordingly, the investment objective of the Foundation is growth and income. This investment objective is a balanced investment approach that is expected to achieve a positive rate of return over the long-term that would contribute to the Portfolio's income needs.

Return Objectives

The return objective is an actuarially determined target of 6.0% net of fees.

IV. Asset Allocation Strategy

In line with the Foundation's return objectives and risk parameters, the mix of assets should be maintained as follows (percentages are of the market value of the Foundation's investments):

Asset Class	Minimum	Target	Maximum	Benchmark
Large Cap Equity	0.0%	10.0%	14.0%	Russell 1000
Large Cap Growth	4.0%	10.0%	14.0%	Russell 1000 Growth
Large Cap Value	2.0%	10.0%	12.0%	Russell 1000 Value
Small Cap Equity	0.0%	3.0%	5.0%	Russell 2000
Small Cap Growth	0.0%	2.0%	8.0%	Russell 2000 Growth
Small Cap Value	0.0%	2.0%	8.0%	Russell 2000 Value
Foreign Equity/EAFE	3.0%	10.0%	15.0%	MSCI EAFE Index
Emerging Markets	0.0%	2.0%	5.0%	MSCI EM Europe/Middle East
Agency Bonds	0.0%	2.0%	5.0%	US Agency Master
Core Fixed Income	40.0%	45.0%	60.0%	Barclays Capital U.S. Aggregate
Real Estate/REIT's	0.0%	1.0%	3.0%	Dow Wilshire REIT (full-cap)
Commodities	0.0%	1.0%	3.0%	Dow AIG Commodity Index
Cash Equivalents	1.0%	2.0%	5.0%	Citigroup 3-month T-bill

Asset Class Totals	Minimum	Target	Maximum
Total Equity	25.0%	49.0%	60.0%
Total Fixed Income	40.0%	47.0%	65.0%
Total Cash Equivalents	1.0%	2.0%	5.0%
Total Alternative Investments	0.0%	2.0%	10.0%

Rebalancing Procedures

The allocations to each asset class and to investment styles within asset classes are expected to remain stable over most market cycles.

Since capital appreciation (depreciation) and trading activity in each individually managed portfolio can result in a deviation from the overall Foundation's asset allocation, the aggregate asset allocation should be monitored; and the Committee may rebalance the Foundation's assets to the target allocation on an annual basis. The approval of the full Committee is necessary before any changes are made to the asset allocation strategy, provided they remain within the approved asset allocation strategy. The Chairman of the Investment Committee or the Executive Director is permitted to approve recommendations from the consultants for like replacements of individual investments that mature, are called, or otherwise have to be liquidated between scheduled committee meetings. To achieve the rebalancing of the Foundation, the Committee may re-direct contributions and disbursements from individual investment managers as appropriate, in addition to shifting assets from one investment manager to another.

V. Responsibilities of the Investment Managers

It is the Committee's responsibility to select prudent investment managers to manage the assets. Such managers can include regulated banks or insurance companies; mutual funds registered under the Investment Company Act of 1940, or registered investment advisors. With respect to any mutual or other commingled funds that have been purchased by the Foundation, the prospectus or Declaration of Trust documents of the fund(s) will govern the investment policies of those assets.

The following guidelines apply to separately managed accounts.

Fiduciary Responsibilities

Each investment manager is expected to prudently manage the Foundation's assets in a manner consistent with the investment objectives, guidelines, and constraints outlined in this Policy Statement and in accordance with applicable laws.

Each investment manager shall:

- Be a bank, insurance company or be registered as an investment adviser under the Investment Advisers Act of 1940 (where applicable);
- Maintain adequate fiduciary liability insurance and bonding for the management of this account; and
- Acknowledge in writing that it is a fiduciary with respect to the assets under its management.

Proxy Voting

Absent delegation to another service provider, each investment manager is responsible and empowered to exercise all rights, including voting rights, as are acquired through the purchase of securities, where practical. The investment manager(s) shall vote proxies according to their established Proxy Voting Guidelines. A copy of those guidelines, and/or summary of proxy votes shall be provided to the Committee upon request.

VI. Investment Strategy

Selection Criteria for Investment Managers

Investment managers retained by the Committee should be chosen using the following criteria:

- The investment style and discipline of the investment manager;
- How well the investment manager's investment style or approach complements other investment managers in the portfolio;
- Level of experience, financial resources, and staffing levels of the investment manager;
- How consistent an investment manager is to the style for which they were hired ;
- Reasonableness of expense ratios/fees;
- Past performance, considered relative to other investments having the same investment objective. Consideration should be given to both consistency of performance and the level of risk taken to achieve results; and
- Stability of the organization.

Security Selection/Asset Allocation

- Except as noted below, each investment manager shall have the discretion to determine its portfolio's individual securities selection;
- The Foundation's portfolio is expected to operate within an overall asset allocation strategy defining the portfolio's mix of asset classes. This strategy, described below, sets a long-term percentage target for the amount of the portfolio's market value that is to be invested in any one asset class. The allocation strategy also defines the allowable investment shifts between the asset classes, above and below the target allocations; and
- The Committee is responsible for monitoring the aggregate asset allocation, and may direct a re-balancing of assets to the target allocation on an annual basis.

Diversification Requirements

The primary method to reduce risk for the Foundation portfolio is diversification through asset allocation. By allocating assets in different asset classes, the portfolio can reduce risk by avoiding concentration as well as reduce risk through the low-correlation between different asset classes. Each investment manager has discretion with regard to security selection and allocation within its respective portfolio. Unless otherwise noted below, under normal market conditions, each investment manager is expected to be invested consistent with its investment style as described in its relevant documentation. During an initial three month period after being retained, the investment manager may hold cash and cash equivalents in larger proportions in order to invest their portfolio on an orderly basis.

To minimize the risk of large losses, each investment manager shall maintain adequate diversification in their portfolio subject to the constraints outlined in this investment policy, and in their investment management agreement with the Foundation.

Derivatives and Structured Products

The Committee understands that derivatives and structured products can be used to efficiently reduce the risk of the portfolio and to expand the return opportunities. However, when used improperly, they can also increase the risk of the portfolio. Before an investment manager uses any security other than-standard securities (such as: exchange traded common stock; interest bearing bonds and cash equivalents), the security, derivative or structured product must be explained to and approved by the Committee. Derivatives are allowed to hedge an underlying position and may be used to take a long position in anticipation of a cash inflow. Once the cash is used to open a position in the underlying security, the derivative position should be closed out. No derivative or structured product is allowed that will increase the potential for loss greater than that of a long position in the underlying security.

Alternative Investments

Alternative investments represent investments in investment vehicles that seek to provide diversification through innovative and flexible strategies (such as the ability to short, add leverage and hedge). Investments in such vehicles are expected to provide diversification and the opportunity for capital appreciation. Diversification standards within each investment vehicle shall be according to the prospectus or trust document. Investments in these investment vehicles carry special risks. The fund(s) may utilize speculative investment strategies, trade in volatile securities, and use leverage in an attempt to generate superior investment returns. The fund(s) may invest in illiquid securities for which there is no ready market and place restrictions on investors as to when funds may be withdrawn. The maximum restricted withdrawal period of the illiquid securities shall not exceed two years. Permitted alternative investments include, but are not limited to: commodities and real estate. Only investments in fund of fund vehicles that are diversified by investment style and typically utilize multiple investment managers within a fund are allowed.

Cash and Equivalents

It is generally expected that the investment manager will remain fully invested in securities; however, it is recognized that cash reserves may be utilized from time to time to provide liquidity or to implement some types of investment strategies. Cash reserves should be held in the custodian's money market fund, short-term maturity Treasury securities, and insured savings instruments of commercial banks and savings and loans.

Actions that may cause a significant deviation from these investment guidelines should be brought to the attention of the Committee and the consultant by the investment manager prior to execution. Such actions may be authorized by the Committee if it determines they do not constitute an inappropriate departure from the spirit of this Policy Statement. Similarly, unanticipated market action should also be brought to the attention of the Committee and consultant by the investment manager.

Exclusions

The Foundation's assets should not be invested in the following unless agreed to by the Committee pursuant to an approved strategy or specifically approved in writing by the Committee:

- Purchases of letter stock, private placements, or direct payments;
- Private placement convertible issues, also known as "144A" convertible securities;
- Commodities transactions unless by managers approved for that strategy;
- Purchases of real estate, oil and gas properties, or other natural resources related properties with the exception of Real Estate Investment Trusts or securities of real estate operating companies;
- Investments by the investment manager in their own securities or of their affiliates, or subsidiaries (excluding money market or other commingled funds as authorized by the Committee); and
- Any other security transaction not specifically authorized in this Policy Statement.

VII. Constraints

Time Horizon

The time horizon is longer than 10 years.

Liquidity Requirements and Spending

There is a moderate liquidity need. There should be liquid assets of 2.00% of total assets maintained. Estimated annual cash outflows are set annually by the investment committee according to the Foundation's spending policy. Spending should come from unallocated cash, then from securities in order of liquidity upon recommendation of investment manager.

Tax, Legal / Regulatory and Unique Considerations

The Foundation is not subject to federal or state income taxes.

The Foundation is subject to the following regulation(s):

Uniform Prudent Management of Institutional Funds Act and state laws & regulations.

VIII. Performance Evaluation

As noted above, the consultant should be retained to provide quarterly performance measurement reports and the Committee should monitor the Foundation's performance on a quarterly basis. The Committee will evaluate the Foundation's success in achieving the investment objectives outlined in this Policy Statement over a three- to five-year time horizon and a full market cycle.
The Foundation's (and investment managers') performance should be reported in terms of rate of return (time-weighted and dollar-weighted) and changes in dollar value. At the time of retention, the Committee and investment manager(s) will agree to appropriate benchmark(s). The returns should be compared to these appropriate market indexes for the most recent quarter and for annual and cumulative prior time periods. The Foundation's asset allocation should also be reported on a quarterly basis.
Risk as measured by volatility, or standard deviation, should be evaluated after twelve months of performance history have accumulated. An attribution analysis should also be performed by the consultant to evaluate how much of the Foundation's investment results are due to the investment managers' investment decisions, as compared to the effect of the financial markets. This analysis will use the policy index as the performance benchmark for evaluating both the returns achieved and the level of risk taken for the total portfolio and the individual investment managers.

IX. Guidelines for Corrective Action

The Committee recognizes the importance of a long-term focus when evaluating the performance of investment managers. The Committee understands the potential for performance over short-term periods to deviate significantly from the performance of representative market indexes. The Committee will not, as a rule, terminate an investment manager on the basis of short-term performance. If the investment manager is sound and is adhering to its investment style and approach, the Committee will allow a sufficient interval of time over which to evaluate performance. The Committee expects that the consultant will provide guidance to help it determine an appropriate length of time. The investment manager's performance will be viewed in light of the firm's particular investment style and approach, keeping in mind at all times the Foundation's diversification strategy as well as the overall quality of the relationship.

The Committee, however, may require an extra level of scrutiny, or consider termination, of an investment manager based on factors such as:

- Any material event that affects the ownership or capital structure of the investment management firm, or the management of this account;
- Any legal or regulatory action taken against the manager;
- Any material servicing deficiencies, including a failure to communicate in a timely fashion significant changes as outlined in Section X of this investment Policy Statement;
- Violation of the terms of the contract or changes to agreed upon services without prior written approval of the Committee;
- Significant style drift from the intended investment style that the manager was engaged to implement;
- Lack of diversification.

The investment manager may be replaced at any time as part of an overall restructuring of the portfolio or any other reason whatsoever.

X. Meetings and Communications

- As a matter of course, each investment manager should promptly communicate to the Committee and the Foundation's consultant any material changes in the investment manager's outlook, investment policy, and tactics.
- Each investment manager should be available on a reasonable basis for telephone communication when needed.
- Any material event that affects the ownership of each investment management firm, any brokerage affiliation of such firm, its key investment personnel, or its management must be reported promptly to the Committee and the Foundation's consultant.
- The Committee should obtain and review written performance measurement reports not less than monthly.
- The consultant should generally meet with the Committee in person quarterly.

This Policy Statement is intended to be a summary of an investment philosophy that provides guidance for the Committee and other parties responsible for the management of these assets. It is understood that there can be no guarantees about the attainment of the goals or investment objectives outlined here.

As noted previously, this Policy Statement was prepared based on the information provided in the Merrill Lynch Investment Policy Statement Service Questionnaire. It is the Committee's responsibility to provide all the necessary and relevant information for its preparation and the Policy Statement should be reviewed periodically to ensure that it is accurate and complete. It should be understood that any changes to this information would significantly impact this Policy Statement.

XI. Approval

This Policy Statement has been prepared for the review and approval of the Investment Committee. It is recommended that the Foundation's other professional advisors, such as an attorney, actuary, and/or accountant, review the Policy Statement. These professionals should be called upon by the Investment Committee to check relevant documentation, particularly in the case of trusts or retirement plans or where there are legal constraints or prohibitions that impact the Foundation's investment portfolio. The review and approval of the Policy Statement is the ultimate responsibility of the Investment Committee.

Upon final approval by the Investment Committee, the Policy Statement should be sent to the Foundation's investment managers. It is the Foundation's responsibility to confirm the investment manager's acceptance of the Policy Statement, and it is the investment manager's responsibility to adhere to the Policy Statement in managing the Foundation's account.

It is understood that this Policy Statement is to be reviewed periodically by the Foundation to determine if any revisions are warranted for any reasons including changing circumstances such as, but not limited to, changes in financial status, risk tolerance, or changes involving the Investment Managers.

By: Marvin Russell Chairman of the Investment Committee

6-5-13
Date

By: Jim Hummer, Executive Director

6-5-13
Date