

Investment Policy for The California State University Channel Islands Site Authority

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Investment Policy for the California State University Channel Islands Site Authority

1. Scope and Purpose

The California State University Channel Islands Site Authority (CSUCISA) investment policy governs the centralization of the investment management function on behalf of the California State University Channel Islands Site Authority. The following investment guidelines have been developed for management of the CSUCISA's investments.

The purpose of the CSUCISA investment policy is to provide a framework for the investment of CSUCISA funds consistent with the goals and the educational mission of California State University Channel Islands.

The CSUCISA investment policy sets forth objectives, guidelines, and responsibilities that the Board (*as defined on page 9*) deem appropriate. The policy is also intended to ensure that the Board, and any parties to whom the Board delegates authority, are fulfilling their fiduciary responsibilities in the oversight of the CSUCISA investments.

2. Compliance with Applicable Law and Adherence to Policy

The CSUCISA's assets are to be managed in full compliance with all applicable laws, rules and regulations from various local, state, federal and international political entities that may impact the CSUCISA's assets including but not limited to the provision of the California State Education Code and Government Code applicable to the investment of funds, and in accordance with the policy guidelines expressed herein or expressed by separate written instructions when deviation is deemed prudent and desirable. Written instructions amending this policy document must be signed by the Chair of the CSUCISA board of directors (Board).

3. Statement of Investment Policy and Guidelines

The Board's desire to provide Campus Staff (*as defined on P. 9*) the greatest flexibility when investing to maximize investment opportunities. However, as agents of the Board, the President and the Campus Staff must recognize the fiduciary responsibility of the Board to conserve and protect the assets of the CSUCISA's investment program, and, by prudent management, prevent exposure to undue and unnecessary risk.

The following objectives shall govern the investments of the CSUCISA funds:

- a) Safeguard the Principal
- b) Meet the liquidity needs of the CSUCISA
- c) Obtain the best possible return commensurate with the degree of risk that the CSUCISA is willing to assume in obtaining such return

4. Investment Portfolio

The investment portfolio shall be designed with the objective of obtaining a market rate of return throughout economic cycles, commensurate with the investment risk constraints and liquidity needs of stakeholders, always aligned with the focus on preservation of capital, liquidity, and yield.

Summary of Maximum Percentage Limitations of Investments by Investment Type

The following summary of maximum percentage limits, by instrument, is established for the CSUCISA's total pooled fund's portfolio:

Investment Type	Percentage
U.S. Treasury Notes and Bonds	100%
U.S. Agency Obligations	100%
Negotiable Certificate of Deposits	30%

The CSUCISA may also utilize the CalTRUST Joint Powers Authority vehicle to pool assets for investment purposes.

The portfolio instrument composition shall be diversified to the extent feasible to avoid incurring unreasonable and avoidable risks regarding specific security types indicated in Section 6 of this investment policy. No more than five percent (5%) of the value of the CSUCI's portfolio will be placed with any single issuer, except for the U.S. Treasury/Federal agency securities, authorized pools and mutual funds.

5. Discretionary Authority

The investment managers are expected to exercise complete investment discretion within the boundaries of the restrictions outlined in this Investment Policy. Such discretion includes decisions to buy, hold, or sell fixed income securities (including cash equivalents) in amounts and proportions reflective of the managers' current investment strategy.

6. Investment Authority

The CSUCISA may invest in eligible securities pursuant to California Government Code Section 16430 and/or 53601. Securities eligible for investment include the following:

- (a) Bonds issued by the local agency, including bonds payable solely out of the revenues from a revenue-producing property owned, controlled, or operated by the local agency or by a department, board, agency, or authority of the local agency.
- (b) United States Treasury notes, bonds, bills, or certificates of indebtedness, or those for which the faith and credit of the United States are pledged for the payment of principal and interest.
- (c) Registered state warrants or treasury notes or bonds of this state, including bonds payable solely out of the revenues from a revenue-producing property owned, controlled, or operated by the state or by a department, board, agency, or authority of the state.

(d) Registered treasury notes or bonds of any of the other 49 states in addition to California, including bonds payable solely out of the revenues from a revenue-producing property owned, controlled, or operated by a state or by a department, board, agency, or authority of any of the other 49 states, in addition to California.

(e) Bonds, notes, warrants, or other evidences of indebtedness of a local agency within this state, including bonds payable solely out of the revenues from a revenue-producing property owned, controlled, or operated by the local agency, or by a department, board, agency, or authority of the local agency.

(f) Federal agency or United States government-sponsored enterprise obligations, participations, or other instruments, including those issued by or fully guaranteed as to principal and interest by federal agencies or United States government-sponsored enterprises.

(g) Bankers' acceptances otherwise known as bills of exchange or time drafts that are drawn on and accepted by a commercial bank. Purchases of bankers' acceptances shall not exceed 180 days' maturity or 40 percent of the agency's moneys that may be invested pursuant to this section. However, no more than 30 percent of the agency's moneys may be invested in the bankers' acceptances of any one commercial bank pursuant to this section.

This subdivision does not preclude a municipal utility district from investing moneys in its treasury in a manner authorized by the Municipal Utility District Act (Division 6 (commencing with Section 11501) of the Public Utilities Code).

(h) Commercial paper of "prime" quality of the highest ranking or of the highest letter and number rating as provided for by a Nationally Recognized Statistical Rating Organization (NRSRO). The entity that issues the commercial paper shall meet all of the following conditions in either paragraph (1) or (2):

(1) The entity meets the following criteria:

(A) Is organized and operating in the United States as a general corporation.

(B) Has total assets in excess of five hundred million dollars (\$500,000,000).

(C) Has debt other than commercial paper, if any, that is rated in a rating category of "A" or its equivalent or higher by an NRSRO.

(2) The entity meets the following criteria:

(A) Is organized within the United States as a special purpose corporation, trust, or limited liability company.

(B) Has program wide credit enhancements including, but not limited to, overcollateralization, letters of credit, or a surety bond.

(C) Has commercial paper that is rated “A-1” or higher, or the equivalent, by an NRSRO.

Eligible commercial paper shall have a maximum maturity of 270 days or less. Local agencies, other than counties or a city and county, may invest no more than 25 percent of their moneys in eligible commercial paper. Local agencies, other than counties or a city and county, may purchase no more than 10 percent of the outstanding commercial paper of any single issuer. Counties or a city and county may invest in commercial paper pursuant to the concentration limits in subdivision (a) of Section 53635.

(i) Negotiable certificates of deposit issued by a nationally or state-chartered bank, a savings association or a federal association (as defined by Section 5102 of the Financial Code), a state or federal credit union, or by a federally licensed or state-licensed branch of a foreign bank. Purchases of negotiable certificates of deposit shall not exceed 30 percent of the agency's moneys that may be invested pursuant to this section. For purposes of this section, negotiable certificates of deposit do not come within Article 2 (commencing with Section 53630), except that the amount so invested shall be subject to the limitations of Section 53638. The legislative body of a local agency and the treasurer or other official of the local agency having legal custody of the moneys are prohibited from investing local agency funds, or funds in the custody of the local agency, in negotiable certificates of deposit issued by a state or federal credit union if a member of the legislative body of the local agency, or a person with investment decision making authority in the administrative office manager's office, budget office, auditor-controller's office, or treasurer's office of the local agency also serves on the board of directors, or any committee appointed by the board of directors, or the credit committee or the supervisory committee of the state or federal credit union issuing the negotiable certificates of deposit.

(j) Medium-term notes, defined as all corporate and depository institution debt securities with a maximum remaining maturity of five years or less, issued by corporations organized and operating within the United States or by depository institutions licensed by the United States or any state and operating within the United States. Notes eligible for investment under this subdivision shall be rated in a rating category of “A” or its equivalent or better by an NRSRO. Purchases of medium-term notes shall not include other instruments authorized by this section and shall not exceed 30 percent of the agency's moneys that may be invested pursuant to this section.

(k) (1) Shares of beneficial interest issued by diversified management companies that invest in the securities and obligations as authorized by subdivisions (a) to (k), inclusive, and subdivisions (m) to (q), inclusive, and that comply with the investment restrictions of this article and Article 2 (commencing with Section 53630). However, notwithstanding these restrictions, a counterparty to a reverse repurchase agreement or securities lending agreement is not required to be a primary

dealer of the Federal Reserve Bank of New York if the company's board of directors finds that the counterparty presents a minimal risk of default, and the value of the securities underlying a repurchase agreement or securities lending agreement may be 100 percent of the sales price if the securities are marked to market daily.

(2) Shares of beneficial interest issued by diversified management companies that are money market funds registered with the Securities and Exchange Commission under the Investment Company Act of 1940 (15 U.S.C. Sec. 80a-1 et seq.).

(3) If investment is in shares issued pursuant to paragraph (1), the company shall have met either of the following criteria:

(A) Attained the highest ranking or the highest letter and numerical rating provided by not less than two NRSROs.

(B) Retained an investment adviser registered or exempt from registration with the Securities and Exchange Commission with not less than five years' experience investing in the securities and obligations authorized by subdivisions (a) to (k), inclusive, and subdivisions (m) to (q), inclusive, and with assets under management in excess of five hundred million dollars (\$500,000,000).

(4) If investment is in shares issued pursuant to paragraph (2), the company shall have met either of the following criteria:

(A) Attained the highest ranking or the highest letter and numerical rating provided by not less than two NRSROs.

(B) Retained an investment adviser registered or exempt from registration with the Securities and Exchange Commission with not less than five years' experience managing money market mutual funds with assets under management in excess of five hundred million dollars (\$500,000,000).

(5) The purchase price of shares of beneficial interest purchased pursuant to this subdivision shall not include commission that the companies may charge and shall not exceed 20 percent of the agency's moneys that may be invested pursuant to this section. However, no more than 10 percent of the agency's funds may be invested in shares of beneficial interest of any one mutual fund pursuant to paragraph (1).

(l) Moneys held by a trustee or fiscal agent and pledged to the payment or security of bonds or other indebtedness, or obligations under a lease, installment sale, or other agreement of a local agency, or certificates of participation in those bonds, indebtedness, or lease installment sale, or other agreements, may be invested in accordance with the statutory provisions governing the issuance of those bonds, indebtedness, or lease installment sale, or other agreement, or to the extent not inconsistent therewith or if there are no specific

statutory provisions, in accordance with the ordinance, resolution, indenture, or agreement of the local agency providing for the issuance.

(m) Notes, bonds, or other obligations that are at all times secured by a valid first priority security interest in securities of the types listed by Section 53651 as eligible securities for the purpose of securing local agency deposits having a market value at least equal to that required by Section 53652 for the purpose of securing local agency deposits. The securities serving as collateral shall be placed by delivery or book entry into the custody of a trust company or the trust department of a bank that is not affiliated with the issuer of the secured obligation, and the security interest shall be perfected in accordance with the requirements of the Uniform Commercial Code or federal regulations applicable to the types of securities in which the security interest is granted.

(n) A mortgage passthrough security, collateralized mortgage obligation, mortgage-backed or other pay-through bond, equipment lease-backed certificate, consumer receivable passthrough certificate, or consumer receivable-backed bond. Securities eligible for investment under this subdivision shall be rated in a rating category of "AA" or its equivalent or better by an NRSRO and have a maximum remaining maturity of five years or less. Purchase of securities authorized by this subdivision shall not exceed 20 percent of the agency's surplus moneys that may be invested pursuant to this section.

(o) Shares of beneficial interest issued by a joint powers authority organized pursuant to Section 6509.7 that invests in the securities and obligations authorized in subdivisions (a) to (q), inclusive. Each share shall represent an equal proportional interest in the underlying pool of securities owned by the joint powers authority. To be eligible under this section, the joint powers authority issuing the shares shall have retained an investment adviser that meets all of the following criteria:

(1) The adviser is registered or exempt from registration with the Securities and Exchange Commission.

(2) The adviser has not less than five years of experience investing in the securities and obligations authorized in subdivisions (a) to (q), inclusive.

(3) The adviser has assets under management in excess of five hundred million dollars (\$500,000,000).

(p) United States dollar denominated senior unsecured unsubordinated obligations issued or unconditionally guaranteed by the International Bank for Reconstruction and Development, International Finance Corporation, or Inter-American Development Bank, with a maximum remaining maturity of five years or less, and eligible for purchase and sale within the United States. Investments under this subdivision shall be rated in a rating category of "AA" or its equivalent or better by an NRSRO and shall not exceed 30 percent of the agency's moneys that may be invested pursuant to this section.

7. Disallowed Investments

Investments not specifically authorized herein are disallowed. Additionally, Section 53601.6 of the California Government Code disallows the following: inverse floaters, range notes, or interest-only strips. Futures, options, and all leveraged purchases are specifically not allowed by this policy.

8. Duration Guidelines

To the extent possible, Campus Staff will attempt to match investments with anticipated cash flow requirements and the maximum final maturity for any investment shall be 5 years from the date of purchase.

For the purpose of these investments, the compliance with the investment percentage(s), in regard to the total investment portfolio, shall be calculated on the date the investment is acquired. If the percentage is legally compliant on the date of purchase, then compliance with the law shall have been met.

9. Investment Reporting

The Campus Staff will provide a quarterly report to the Board that will include the asset allocations, balances and annualized rates of return.

10. Compliance with Prudence and Conflict

All participants in the investment process shall act responsibly, The standard of Prudence applied by the Board, the President, the Campus Staff as well as any external providers shall be governed by the “the Prudent Investor Rule “The Prudent Investor Rule” in part, states, “ A trustee shall invest and manage trust assets as a prudent investor would, by considering purposes, terms, distribution requirements, and other circumstances of the trust. The trustee shall exercise reasonable care, skill and caution. A trustee’s investment and management decisions respecting individual assets must be evaluated not in isolation but in the context of the trust portfolio as a whole and as a part of an overall investment strategy having risk and return objectives reasonably suited.”

All personnel shall refrain from the personal business activity which could create a conflict with proper execution of the investment program, or which could impair partial investment positions. All members of the Board and Campus Staff investment personnel should disclose to Campus Staff any material financial position that could be related to a conflicting manner to the performance of the portfolio. All members of the Board and Campus Staff investment personnel shall report any potential conflicts of interest consistent with Government Code Section 87200.

11. Evaluation and Review

The objective of the evaluation and review process is to monitor the progress of the CSUCISA’s assets in achieving the overall investment objectives. Performance will be measured and

reviewed quarterly by the Board. Particular attention will be directed toward determining whether:

- * funds are achieving their stated objectives,
- * investment managers are adhering to the guidelines set forth herein,
- * investment managers are adhering to its stated philosophy and style,

- * overall policies and objectives continue to be appropriate, reasonable and achievable.

12. Roles and Responsibilities

Board of Directors

The CSUCISA has a Board of Directors (Board). The Board assumes fiduciary duty to conserve and protect the investment assets of the CSUCISA, and through prudent management, to prevent exposure to undue and unnecessary risk. However, the Board also acknowledges investments are inherently risky with risk of loss and, as such, are viewed with a long-term horizon.

As a fiduciary, the primary responsibilities of the Board are to:

- a) Maintain and approve the investment policy
- b) Ensure that the CSUCISA investments are prudently diversified in order to obtain the best possible return commensurate with the degree of risk that the CSUCISA are willing to assume

The Board has oversight responsibility for investment of the assets and has delegated investment authority to the President and the Campus Staff.

Campus Staff

As agents of the Board, the President, and the Chief Financial Officer responsible for the CSUCISA's investments and their designees (Campus Staff), recognize the fiduciary responsibility of the Board to conserve and protect the investment assets of the CSUCISA and, by prudent management, to prevent exposure to unnecessary and undue risk.

The President and Campus Staff are hereby authorized to establish policies and procedures to implement the provisions of this Investment Policy including but not limited to the following activities:

- a) Oversee and implement general administrative and investment operations for the portfolio.
- b) Inform the Board of the overall investments of the CSUCISA to assist the Board in fulfilling their duties.
- c) Develop and implement policies that are suitable for achieving the strategic objectives for the portfolio.
- d) Select, contract with, and monitor third party service providers, including but not limited to, investment advisors, investment managers and custodians.
- e) Monitor and review the performance of the portfolio relative to the stated objectives.

- f) Direct the investment of funds, including the ordering, purchase and sale transactions to, from and between the portfolio to meet investment objectives and strategic asset allocations.
- g) Report to the Board regarding the investment of the CSUCISA's funds as requested, but no less than quarterly.
- h) Implement controls and accounting for all investment, record keeping, and administrative expenses associated with the portfolio.
- i) All other duties designated or delegated by the CSUCISA's Board.

13. Environmental, Social Governance (ESG) Framework

The Board acknowledges the importance of understanding the potential risks and value that environmental, social governance (ESG) factors may have on the CSUCISA's investments. Therefore, the Board expects that the consideration of ESG factors shall be integrated into the investment decision processes of the CSUCISA.

14. Investment Policy Adoption

The Campus Staff shall provide a copy of the Investment Policy to each firm retained to provide investment services to the CSUCISA and each firm shall acknowledge in writing receipt of the document and accept its content.

15. Adoption

Investment Policy adopted by Resolution SA 09-12-01 dated 12/14/2009
Amended by Resolution (insert number) dated (insert date)