THE UNIVERSITY CORPORATION
Executive Committee
May 3, 2013

A meeting of The University Corporation Executive Committee was called to order by Chair, Dianne F. Harrison at 3:02 p.m. on Friday, May 3, 2013 in University Hall, Room 250. A quorum was present.

MEMBERS PRESENT: Dianne F. Harrison, Michael Neubauer, Ben Yaspelkis

MEMBERS ABSENT: Jennifer Matos, Sydni Powell

STAFF PRESENT: Heather Cairns, Elizabeth Corrigan, Rick Evans, John Griffin, Georg Jahn, Elizabeth Kioussis, Linda Turner

OTHERS PRESENT: Scott Perez

ITEM #1
APPROVAL OF JANUARY 25, 2013 EXECUTIVE COMMITTEE MINUTES

PASSED (Neubauer-abstain): To approve the minutes of the January 25, 2013 meeting.

ITEM #2
APPOINTMENT OF NOMINATING COMMITTEE

PASSED: That a Nominating Committee be appointed to make recommendations for University Corporation officers, one-year terms to begin July 1, 2013.

The Chair appointed Ben Yaspelkis (Chair), Sydni Powell and Michael Neubauer to serve as the Nominating Committee.

ITEM #3
JUDGE JULIAN BECK INSTRUCTIONAL IMPROVEMENT GRANTS

The list of recommended projects was distributed.

PASSED: To approve the Judge Julian Beck Instructional Improvement grants for 2013/14, as recommended by the Center for Innovative and Engaged Learning Opportunities (CIELO) Advisory Board.

ITEM #4
INVESTMENTS

Chief Financial Officer, John Griffin, reported that during the first week of March, the Corporation transferred its investments from the CommonFund to Northern Trust. The funds were subsequently invested, per the new ‘total pool’ investment strategy.

ITEM #5
INVESTMENT POLICY

The Executive Committee serves as The University Corporation’s Investment Committee.
Mr. Griffin stated that Northern Trust proposes taking a ‘total pool’ approach for managing Corporation investments, and has recommended minor changes to the target allocations in the Investment Policy as a result.

PASSED: That The University Corporation Investment Committee approve changes to the investment target allocations in Section V of The University Corporation Investment Policy, as proposed. (APPENDIX A)

ITEM #6 FINANCIAL STATEMENTS

Mr. Griffin reviewed the March 31, 2013 financial statements and noted the significant increase in net cash generated to replenish reserves, due in large part to an increase in sponsored programs activity. Investments earned 8.29% for the year to-date.

ITEM #7 2013/2014 OPERATING BUDGET

Mr. Evans overviewed the budget and noted that although 2012/13 overall enrollment did not decrease, there was a significant drop in first time freshmen. This group tends to purchase more food and supplies on campus. The net cash generated to replenish reserves is slightly more than budget.

Significant items impacting the 2013/14 budget include the anticipated continuing erosion of bookstore commissions, the increased labor expense related to the Affordable Health Care Act and the establishment of the ‘stand-alone’ human resources department. The FY 13/14 budget includes a 1.2% cost of living adjustment, the implementation of which is contingent on the CSU compensation and funding distribution. The federal budget sequester has complicated budgeting for Sponsored Programs; budgeted expenditures and service fees have been kept close to current year. University Licensing experienced its best year to date in 2012/13, with revenues of over $1 million, thanks in large part to taping in the Valley Performing Arts Center of American Idol, which will not return to campus next year. The capital budget increase to $300,000 from the previous years’ $250,000 accommodates for the greater complexity and aging of facilities and equipment. Mr. Evans added that the reserves are the same as current year. Division budget presentations will be made at the May 23, 2013 Board of Directors meeting.

PASSED: To recommend that The University Corporation Board of Directors approve the 2013/2014 operating budget as presented.

ITEM #8 RETIREMENT COMMITTEE

John Griffin reported that the retirement plan transferred from TIAA-CREF to The Principal Group effective July 1, 2012. Management has been working with 403B Advisors on implementing Internal Revenue Service and U.S. Department of Labor administrative recommendations. These include appointment of a fiduciary plan committee, approval of a charter defining the responsibilities of the fiduciary plan committee, adoption of an investment policy statement, and delegation of oversight responsibility. Management proposes that the Retirement Committee, responsible for selecting The Principal Group, serve as the Fiduciary Plan Committee and that the Executive Committee be assigned oversight responsibility.
PASSED: That The University Corporation Executive Committee recommend that The University Corporation Board of Directors: a) approve the Retirement Plan Committee Charter as proposed; b) appoint the Fiduciary Plan Committee as proposed; c) approve the Investment Policy Statement, as proposed; and d) delegate Fiduciary Plan Committee oversight responsibility to The University Corporation Executive Committee.

ITEM #9  FRAUD PREVENTION PROGRAM

Vicenti, Lloyd & Stutzman LLP (VLS) conducted the Corporation’s first fraud prevention check-up in February 2012; the Corporation received the highest first-time score ever given. Rick Evans advised that as part of check-up, VLS provided a list of recommendations designed to proactively address fraud risk. Management has drafted a plan to implement the recommendations, including establishing oversight responsibility and reporting process. Management recommends that the Executive Committee be delegated fraud oversight responsibility. Management will give a yearly report to the Executive Committee and the Audit Committee, and will advise the Executive Committee of any fraudulent event over $1,000 at the first meeting following discovery. Michael Neubauer asked that every occurrence of fraud, regardless of amount, be reported to the Executive Committee. Management concurred and will amend the draft Fraud Prevention Plan accordingly.

PASSED: That The University Corporation Executive Committee recommend that The University Corporation Board of Directors delegate fraud oversight responsibility to the Executive Committee.

ITEM #10  AUDIT COMMITTEE

Mr. Evans stated that the proposed charter memorializes the composition and responsibilities of the Auxiliary Audit Committee, established to comply with the 2004 California Nonprofit Integrity Act. A charter is recommended by the American Institute of Certified Public Accountants and must be approved by the three auxiliaries served by the Auxiliary Audit Committee.

PASSED: That The University Corporation Executive Committee recommend that The University Corporation Board of Directors approve the Audit Committee charter as proposed.

ITEM #11  REAL ESTATE FUND – ACQUISITION OF PROPERTY

Associate Director of Real Estate, Linda Turner, reported on the Corporation’s most recent acquisition through the Real Estate Fund, an unimproved lot adjacent to the Corporation’s single-family home on Halsted Street.

ITEM #12  RESEARCH & SPONSORED PROJECTS – AWARDS AND EXPENDITURE REPORTS (DECEMBER 2012; JANUARY, FEBRUARY, MARCH 2013)

The information was received. Director of Sponsored Programs and Real Estate, Georg Jahn reported that sponsored programs activity is 31% over budget for the year to-date. The net available to campus from sponsored activities is 69% over budget for the year to-date.
ITEM #13      ANNOUNCEMENTS

There were no announcements.

The Executive Committee went into executive session to consider a personnel matter at 4:00 p.m.

Respectfully submitted,

[Signature]

Ben Yaspelkis, First Vice President
INVESTMENT POLICY

I. PURPOSE

The purpose of this policy is to establish a clear understanding between The University Corporation (Corporation) at California State University Northridge and Investment Manager(s), of the investment policies and objectives for managing the Corporation’s asset portfolio. This statement outlines an overall philosophy that is sufficiently specific in expressing performance objectives to guide the Investment Manager, yet sufficiently flexible to accommodate changing economic conditions and market dynamics. This policy establishes the investment restrictions placed upon the Investment Manager and outlines procedures for performance review. These same guidelines apply to that portion of the asset portfolio self-directed by the Corporation Investment Committee.

II. OBJECTIVE

The primary investment objective is to achieve risk-adjusted real returns necessary to preserve and grow capital and to support the long term and short term spending requirements of the Corporation. The Corporation and its Investment Managers must properly balance the following overall objectives:

A. *Liquidity.* The Corporation’s investment portfolio will remain satisfactorily liquid to enable it to meet anticipated operating and cash flow requirements, which are to be analyzed continuously.

B. *Return on Investment.* The investment portfolio will be designed to attain a market rate or better rate of return throughout a full economic cycle.

C. *Preservation of Capital.* Sufficient limitations are placed on risks associated with the implementation of the return on investment objective and to protect the portfolio through the diversification of assets and the setting of specific quality standards.

III. SCOPE

This policy is applicable to all funds held by the Corporation in the long term and short term investment pools.

A. *Long term investment pool.* This pool includes all endowment and certain reserve funds and is invested with a focus on long term growth of capital through asset diversification.

B. *Short term investment pool.* This pool represents deposits held in trust for agency and workshop accounts, and reserve funds needed within the next three years. The primary goal for the short term pool is preservation of capital.

The funds entrusted to the Corporation will be pooled in an actively managed portfolio, except when precluded by a donor or granting agency. The Corporation will participate in standards within the content of the "Prudent Investor" rule, which states:
"Investments shall be made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion, and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived."

IV. AUTHORIZED FINANCIAL DEALERS AND INSTITUTIONS

The Corporation will transact business only with banks, savings and loan institutions, State Treasurer's Office, and registered investment securities dealers. Regarding transactions in government securities, the dealers should be primary dealers authorized to buy and sell government securities in direct dealings with the Federal Reserve Bank of New York and qualify under the U.S. Securities and Exchange Commission Rule 15C3-1 (uniform net capital rule).

The Chief Financial Officer (CFO) will send a copy of the current statement of investment policy to all dealers approved to do business with the Corporation. Confirmation of the dealer's understanding of the Corporation's investment policy will be provided in writing by the dealer.

The CFO will examine financial institutions, which wish to perform business with the Corporation, in order to confirm whether the participating financial institutions are satisfactorily capitalized, are market makers in securities appropriate to the Corporation's financial investment universe and agree to comply by the conditions set forth in this Investment Policy.

Any authorized investments (contained in Section VIII) can be purchased directly from the issuer.

All financial institutions and broker/dealers who qualify to perform investment transactions for the Corporation will supply the CFO the following:

A. Audited financial statements
B. Proof of National Association of Security Dealers certification
C. Proof of state registration
D. Completed broker/dealer questionnaires
E. Certificate of review and understanding of The University Corporation investment policy.

A review of the financial condition and registration of the qualified broker/dealers and other bidders will be conducted by the CFO at least every three (3) years. This review will be reported to the Investment Committee as an information item only.

V. ASSET GUIDELINES AND TARGET ALLOCATION

A. Long-term investment pool - The minimum and maximum guidelines for each investment category and the associated target allocation will typically be:

<table>
<thead>
<tr>
<th>Category</th>
<th>Minimum %</th>
<th>Maximum %</th>
<th>Target Allocation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash &amp; Cash Equivalents*</td>
<td>0%</td>
<td>30%</td>
<td>2%</td>
</tr>
<tr>
<td>Fixed Income</td>
<td>10%</td>
<td>50%</td>
<td>14%</td>
</tr>
<tr>
<td>Equities</td>
<td>25%</td>
<td>65%</td>
<td>36%</td>
</tr>
<tr>
<td>Alternative Investments-Real assets**</td>
<td>0%</td>
<td>50%</td>
<td>40%</td>
</tr>
<tr>
<td>Alternative Investments-Hedge funds</td>
<td>0%</td>
<td>10%</td>
<td>8%</td>
</tr>
</tbody>
</table>

* Cash equivalents are defined as less than one-year maturities. Fixed income investments can be invested in cash equivalents as necessary.

** Approved by the Board of Directors on December 16, 2010, this range accommodates the investment in the Public Safety Building at California State University, Northridge and will be reviewed when conditions change.
B. Short-term investment pool - The minimum and maximum guidelines for each investment category and the associated target allocation will typically be:

<table>
<thead>
<tr>
<th>Category</th>
<th>Minimum %</th>
<th>Maximum %</th>
<th>Target allocation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash &amp; Cash Equivalents*</td>
<td>50%</td>
<td>90%</td>
<td>75%</td>
</tr>
<tr>
<td>Fixed Income</td>
<td>10%</td>
<td>50%</td>
<td>25%</td>
</tr>
</tbody>
</table>

* Cash equivalents are defined as less than one-year maturities. Fixed income investments can be invested in cash equivalents as necessary.

The investment portfolios will be rebalanced to these target percentages at least annually, or quarterly if there is a five percent (5%) or greater shift.

In the event of wide financial market fluctuations, the actual investment allocation mix can vary from the target mix with the understanding that the investment pool will be rebalanced as normal market conditions return.

VI. INVESTMENT GUIDELINES

A. Overall Guidelines

1. The Corporation prohibits investments that jeopardize the non-profit status of the Corporation or unduly jeopardize the safety of principal. Unless specifically authorized by written instruction to the Investment Manager, the following types or methods of investments are expressly prohibited:

   a. Trading in securities on margin;
   b. Trading in commodity futures;
   c. Investments in working interests in oil or gas wells;
   d. The purchase of “puts” and “calls” and “straddles;”
   e. The sale and purchase of warrants and options without prior approval;
   f. Selling short;
   g. Direct investment in derivatives.

2. Unrestricted donations of marketable securities are to be liquidated in an orderly fashion unless they conform to the investment model as determined by the Investment Manager and/or Investment Committee.

3. Mutual funds are permitted investments so long as their underlying investments meet the criteria set forth in this policy.

4. This Investment Policy is responsive to special requirements placed on assets by donors, granting agencies, legal agreements or other documented means within reason as determined by the Corporation Board.

The following investment vehicles and limits are generally authorized for inclusion in the Corporation’s investment portfolio for pooling purposes:

B. Cash Equivalents Category Guidelines

The following investments are acceptable:
1. Certificates of Deposit (maximum $100,000 per institution). These investments will be limited to licensed (Federally chartered and insured) financial institutions.

2. Commercial Paper. These investments generally will be limited to ratings A-1 (or better) by Standard and Poor’s or P-1 (or better) by Moody’s.


4. Short term investment accounts with a maximum maturity of two years for securities held. These accounts will be limited to registered investment securities dealers.

5. Local Agency Investment Fund (LAIF) established by the State Treasurer for the benefit of local agencies up to the maximum permitted by State law.

6. Money Market Accounts. These investments will be limited to licensed (federally chartered and insured) financial institutions.

C. Fixed Income Category Guidelines

1. Purchases of fixed income securities will be limited to U.S. Treasury or federal agency obligation, State of California obligations or those U.S. corporate bonds with ratings as prescribed below.

2. U.S. corporate bonds with a maximum maturity of ten years and rated a minimum of "A" or its equivalent by a nationally recognized rating (Standard and Poor's, Moody's and Fitch) service. Typically a maximum of 40% of the portfolio may be invested in these bonds. In the event a bond is downgraded below the minimum acceptable bond rating, the Investment Manager may continue to hold such bond until it is deemed advantageous to dispose of the bond, but under no circumstances should it take longer than six months. Approved mutual funds may invest in below investment grade bonds as part of diversified portfolios.

3. With regard to concentration by issuer, there are no limitations placed on investments in U.S. government or federal agency guaranteed investments. No more than 40% of the total investments, in government fixed income vehicles may be in State of California bonds. For U.S. corporate bonds, however, investments in any one issuer should:
   a. not represent more than 10% of the fixed income category;
   b. not be more than 5% of that security’s total issue and,
   c. be part of an issue worth at least $50 million par value.

D. Equity Category Guidelines

1. The equity portfolio should be well diversified to avoid undue exposure to any single economic sector, industry group or individual security.
2. The holding of one firm's common stock is not to exceed 5% of that firm's total common stock outstanding.

3. No more than 7.5% of the equity portfolio should be invested in the stock of a single company.

4. The Corporation encourages reasonable investment in international securities to enhance diversification and prudent investment. No more than 20% of the equity category is to be invested in international securities. These issues are to possess the same high quality characteristics of domestic securities owned in the portfolio.

E. Alternative Investments Category Guidelines

1. Eligible alternative investments include commodities, hedge funds, and real estate.

2. Other eligible alternative investments are defined as investments that meet the "mission of the University" for the benefit of the University and are authorized by Corporation Board resolution and supported by appropriate and documented due diligence analysis.

3. All alternative investments held in the portfolio will be evaluated against appropriate benchmarks.

4. The total value of all alternative investments typically will not exceed 60% of the portfolio.

5. The maximum maturity for any investment within this category typically will not exceed fifteen years.

6. The alternative investments will diversify and reduce volatility of the portfolio.

F. Exceptions

Any exception to the guidelines in this Section VII A, B, C, D and/or E may be granted on an interim basis by mutual agreement of the Chair of the Board, the Executive Director and the CFO. Such interim exceptions will be ratified or changed at the next regular meeting of the Board of Directors.

VII. ADMINISTRATIVE AND REVIEW POLICIES

A. Levels of Responsibility

1. Executive Director, Board Treasurer and CFO. The Executive Director, Board Treasurer and CFO are responsible for implementing and administering the adopted Investment Policy, submitting a quarterly statement of the prior quarter's investment activity and performance analysis, and preparing the investment section of the annual report.
2. **Investment Manager(s).** The Investment Manager is responsible for making individual security buy and sell decisions and managing and reporting portfolio performance in a manner that complies with the policies, objectives and guidelines set forth herein and provide the reports stipulated in B, below.

B. **Review of Investment Performance**

Evaluation of the Investment Manager’s performance will be on a total return basis. These returns will be viewed in the context of the Fund’s objective and relevant market indices.

Evaluation of the performance of asset groups, if applicable, will be based on the following indices:

1. Domestic Equities – Standard & Poor’s 500;
2. Domestic Fixed Income – Barclays Capital U.S. Aggregate Bond Index;
3. Cash Equivalents – 90-day Treasury Bill Rate;
4. Subsets of equities and fixed income investments will be measured against appropriate benchmarks.

The Investment Manager(s) will submit to the Corporation a monthly report, a quarterly summary report, and an annual summary report detailing the current portfolio holdings, market value, annualized yield, realized gain and income from all invested assets, and other information that is customary on the Investment Manager’s reporting system.

The Investment Manager(s) will meet with the Corporation’s Investment Committee or Board of Directors as requested, at regularly scheduled meetings to present the above detailed information.

**VIII. DELEGATION AND GRANTS OF AUTHORITY**

Management responsibility for the investment program is under the authority of the Executive Director; the CFO will establish written procedures for the operation of the investment program consistent with this investment policy.

No person will engage in an investment transaction except as provided under terms of this policy and the procedures established by the CFO and approved by the Investment Committee of the Corporation. The CFO will establish a system of internal accounting controls to regulate the activities of subordinate representatives.

The authority to execute investment transactions affecting the Corporation's portfolio will be under the general direction of the Executive Director and delegated to the CFO.

**IX. INVESTMENT POLICY REVIEW**

The Investment Committee will review the current portfolio mix at least annually and this Statement of Investment Policy will be reviewed at least every three (3) years to ensure consistency with the overall objectives of the preservation of capital, liquidity and return of the investment portfolio. The Statement of Investment Policy will also be reviewed to ensure its compliance and relevance to the current law, financial and economic trends, and to meet the cash flow requirements of the Corporation.
investment portfolio is audited annually by the Corporation's independent accountants for internal controls and balances.

Rick Evans, Executive Director

Approved May 28, 2009
Revised December 16, 2010
Revised May 24, 2012
Revised May 3, 2013