

Solano Community College Educational Foundation

Investment and Spending Policy

I. Background and Mission

The Solano Community College Educational Foundation (hereafter referred to as the “Foundation”) is a 501(c)(3) nonprofit corporation and auxiliary of Solano Community College (hereafter referred to as the “College”) created to support students by funding their pursuits toward a higher education and providing the resources to help guide them toward success.

For over 40 years, the Foundation has supported the vision that no one should be denied access to education because of financial need and that resources should be made available to enrich the College experience for all students. The Foundation’s vision is to help every person in the community pursue a college education and improve their lives through providing financial support and state-of-the-art resources. Its mission is to provide aid supplementary to public tax dollars for the support and benefit of the College.

Purpose of This Investment Policy Statement

This Investment Policy Statement is set forth by the Foundation in order to:

1. Outline the philosophy and policies which will guide the investment of Foundation assets toward desired results. It is intended to be sufficiently specific to be meaningful, yet flexible enough to be practical.
2. Define and assign the responsibilities of all involved parties.
3. Establish the relevant investment objective and time horizon for which Foundation assets will be managed.
4. Establish a clear statement of the investment goals for the Foundation’s assets.
5. Set forth guidelines for managing Foundation assets according to prudent standards as established by the Foundation Board (the ‘Board’) in accordance with the Uniform Prudent Management of Institutional Funds Act (UPMIFA).
6. Offer guidance and limitations to the Investment Advisor regarding the investment of Foundation assets.
7. Establish a basis for evaluating investment results.

II. Introduction

This policy is intended as a basic guide for safeguarding and managing the Foundation’s assets including the development of spending goals, investment strategies (including asset allocation) and investment performance review and reporting collectively comprise the “Portfolio”. The

Portfolio's assets will normally be held in one of three subordinate portfolios. These are (1) the "Reserve Portfolio" (2) the "Excess Reserve Portfolio", and (3) the "Endowment Portfolio".

For endowed assets, regardless of purpose restriction, the Foundation's time horizon for these assets will be perpetual, with an outlook beyond five years. Such gifts or funds shall be invested in the Endowment Portfolio and follow the Spending Policy set forth by the Foundation in the Endowment Expenditure Policy.

For non-endowed assets, the Foundation's time horizon will depend on the timeframe for spending. For gifts or funds that are expected to be expended in less than 12 months, such assets shall be invested in the Reserve Portfolio. For gifts or funds that are expected to be expended between one to five years, such assets shall be invested in the Excess Reserve Portfolio. The Board may designate non-endowed, unrestricted assets as long-term reserves and follow the Spending Policy set forth by the Foundation. Such gifts or funds shall be invested with the Endowment Portfolio.

This Investment Policy Statement sets forth the investment objectives, distribution policies, and investment guidelines that govern the activities of the Foundation and any other parties to whom the Foundation has delegated investment management responsibility for Portfolio assets.

The investment policies for the Foundation contained herein have been formulated consistently with the Foundation's mission, reflects its anticipated financial needs and its willingness to assume investment and financial risk, as determined by the Foundation Board of Directors.

Policies contained in this statement are intended to provide guidelines, where necessary, for ensuring that the Portfolio's investments are managed consistently with the short-term and long-term financial goals of the Foundation. At the same time, they are intended to provide for sufficient investment flexibility in the face of changes in capital market conditions and in the financial circumstances of the Foundation.

III. Role of the Finance Committee and the Foundation Board

The Board has a fiduciary responsibility to comply with the restrictions imposed by the donors of restricted funds. The Board also has a legal responsibility to ensure that the management of endowment funds complies with the Uniform Prudent Management of Institutional Funds Act (UPMIFA).

The Finance Committee of the Board (the "Committee") acts in a fiduciary capacity with respect to the Foundation and is accountable to the College and the Board for overseeing the investment and safeguarding of all assets owned by or held in trust.

Specific responsibilities of the Finance Committee include:

- Carrying out all current policies set forth in this Investment Policy and the Endowment Expenditure Policy;
- Advising the Board on the selection of an Investment Manager;
- Overseeing and monitoring the status of the Foundation's assets;
- Advising the Board on spending, investment, and cash management policies, including asset allocation and prohibited transactions;
- Setting and evaluating the target total return on investments;
- Making recommendations to the Board on other fiscal policies and procedures;
- Carrying out a performance review of the Investment Manager every 5 years, or earlier if conditions warrant, and determining the desire to entertain having other Investment Managers submit proposals to manage Foundation investments;
- Carrying out an annual review of the Investment Policy Statement to assure continued relevance of the guidelines, objectives, financial status and capital markets expectations as established in this Policy Statement.

Foundation Management ("Management") is defined as the Foundation's Director, who oversees endowment accounting and makes recommendations to the Committee.

All individuals involved in investment decision-making, including members of the Foundation Board, Finance Committee, and Management, shall comply with the Foundation's Conflict of Interest Policy and disclose any actual or potential conflicts related to investment activities.

Changes to this Investment and Spending Policy Statement can be made only by affirmation of a majority of the Committee, and with final Board approval. Written confirmation of the changes will be provided to all Committee members and to any other parties hired on behalf of the Foundation as soon thereafter as is practicable.

Standard of Fiduciary Care. The primary and constant standard for making investment and spending decisions for all Portfolio assets is the "Prudent Person Rule" which states that "the members of the Board shall act with the care, skill, prudence, and diligence under the circumstances then prevailing a prudent person acting in a like capacity and familiar with these matters would use in the conduct of an enterprise of like character and with like aims to accomplish the purposes of the institution" in compliance with UPMIFA.

IV. Manager Selection

The Board is authorized to delegate certain responsibilities and may employ or arrange for the services of such other persons, agents, or assistants as, in its opinion, are deemed necessary or desirable for the proper administration of the Foundation's investments, and to pay reasonable compensation for their services and expenses. The Board expects that any such parties associated with the Foundation will discharge their respective responsibilities in accordance

with normal fiduciary standards. In accordance with UPMIDA, the Foundation Board shall exercise reasonable care, skill, and caution in selecting, retaining, and monitoring any delegated investment manager, including establishing the scope and terms of the delegation and periodically reviewing the agent's performance and compliance with those terms.

Investment management of the Portfolio (including its constituent pools) shall be recommended by the Committee for approval by the Board based on a selection process as established by the Committee. The Committee may elect to appoint a single manager for the Reserve Portfolio, Excess Reserve Portfolio, and Endowment Portfolio, or separate managers for each. The Committee may also elect to manage the Reserve Portfolio itself. In addition to evaluating a manager's historical performance compared to appropriate benchmarks, a manager's ethical standards, financial viability, organizational structure, experience of key personnel, and investment philosophy will also be reviewed.

General Investment Principles

1. Investments shall be made solely in the interest of the Foundation.
2. The Foundation 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 Foundation of like character and with like aims.
3. Pursuant to UPMIFA, the Foundation will consider the following factors, if relevant, in managing and investing each donor fund, except as otherwise provided by a fund agreement:
 - a. The purposes of the Foundation;
 - b. The purposes of the donor fund;
 - c. General economic conditions;
 - d. The possible effect(s) of inflation or deflation;
 - e. The expected tax consequences, if any, of investment decisions or strategies;
 - f. The role that each investment plays within the overall investment portfolio;
 - g. The expected total return;
 - h. Other resources of the Foundation;
 - i. The needs of the Foundation and the donor fund to make distribution to preserve capital, and an asset's special relationship or value, if any, to the purposes of the Foundation or donor fund.
4. Cash is to be employed productively by investing in short-term cash equivalents to provide safety, liquidity, and returns.

V. Investment Objectives

The Endowment Portfolio. The Portfolio is to be invested with the objective of preserving the long-term, real purchasing power of assets while providing a relatively predictable and growing stream of annual distributions in support of the institution. The attainment of this broad objective will provide a balance between current spending needs of the Foundation and the need to preserve the purchasing power of the endowment for future generations. It is the Board's intent to invest all long-term funds using the same target allocation, whether funds are endowed or Board designated/quasi-endowed funds. Gifts with donor restrictions will be invested as per instructions.

The Reserve Portfolio. Assets apportioned to the Reserve Portfolio are intended for use "on demand" are to be invested with the objective of preservation of capital and short-term liquidity. Only high-quality short-term investment vehicles are appropriate for this portfolio.

The Excess Reserve Portfolio. The Portfolio is to be comprised of funds that are above an approved threshold to adequately fund the Reserve Portfolio. Assets in the Excess Reserve Portfolio are intended to preserve capital, provide a relatively predictable stream on income, and achieve moderate growth of principal. Assets are to be used as a supplemental source of funds for the Reserve Portfolio.

VI. Solicitation and Acceptance of Gifts Policy

A separate policy has been adopted and approved by the Foundation to provide general information about the criteria and framework by which donations may be accepted or recommended to the Board for acceptance. This information should not be interpreted as legal advice, nor is the policy intended to override current IRS code and regulations.

VII. Spending Policy

Foundation spending shall be funded from current undesignated gifts (not designated as endowments) and partial distributions of net investment income (from interest or dividends) or net realized capital gains from the Endowment Portfolio.

Short term deficiencies or excess of cash needs may be balanced by withdrawals from/deposits to the Reserve Portfolio. Cash accumulations from earnings and capital gains that exceed the approved spending budget for any year will be reinvested.

Purpose of Spending.

The Foundation exists to support the educational needs of the College. Consistent with prudent financial stewardship, the Foundation will spend its income each year for the purposes designated and/or approved by its Board.

Endowment Portfolio earnings in excess of the Board established spending rate will be reinvested in the Endowment Portfolio to protect the endowment's purchasing power from one generation to the next.

Limitations on Spending -- General Policy.

In general, current spending will not be funded by accessing the principal corpus of the Endowment Portfolio. The distribution of Endowment Portfolio assets will be permitted to the extent that such distributions do not exceed a level that would erode the Foundation's real assets over time. The Committee will seek to reduce the variability of annual Foundation distributions by factoring past spending and Portfolio asset values into its current spending decisions. The Committee will review its spending assumptions annually for the purpose of deciding whether any changes therein necessitate amending the Foundation's spending policy, its target asset allocation, or both.

Establishing the Spending Rate.

The Committee will review and recommend the annual spending rate to the Board within 60 days following the end of each calendar year. The Foundation presently seeks to maintain an annual spending rate set out in the Endowment Expenditure Policy.

Maintaining an Operational Reserve.

Recognizing that stability and continuity are important to good management and administration, the Management will seek to hold an operational reserve such that in down market years reductions in business operations are unnecessary. In addition, Management will aim for a stable budget and, when necessary, plan for significant increases or cuts to address extraordinary one-time costs.

Management shall regularly assess the Foundation's liquidity needs and projected cash flows to ensure sufficient funds are available to meet operations, grant-making, and other financial obligations as they come due. Such assessments shall inform the allocation of assets among the Reserve, Excess Reserve, and Endowment portfolios.

VIII. Portfolio Investment Policies

Diversification

The Finance Committee does not believe it is necessary or desirable that securities held in the Foundation represent a cross-section of the economy. However, in order to achieve a prudent level of portfolio diversification, the securities of any one company or government agency, except the U.S. government, should not exceed 5% of the total Foundation assets, and no more than 20% of the total Foundation assets should be invested in any one industry.

Diversification across and within asset classes is the primary means by which the Committee expects the Portfolio to avoid undue risk of large losses over long periods. To protect the Portfolio against unfavorable outcomes within an asset class due to the assumption of large risks, the Committee will take reasonable precautions to avoid excessive investment concentrations. Specifically, the following guidelines will be in place:

- With the exception of fixed income investments explicitly guaranteed by the U.S. Government, no single investment security shall represent more than **xx%** of total Portfolio assets.
- With the exception of passively managed investment vehicles seeking to match the returns on a broadly diversified market index, no single investment pool or investment company (mutual fund) shall comprise more than **xx%** of total Portfolio assets.
- With respect to fixed income investments, for individual bonds, the minimum average credit quality of these investments shall be investment grade (Standard & Poor's BBB or Moody's Baa or higher).
- Aggregate Foundation Asset Allocation Guidelines (at market value) are:

Asset Class	Minimum	Maximum
Equities	35%	70%
Fixed Income	20%	40%
Alternatives	0%	15%
Cash	0%	5%

Definition of Risk

The Finance Committee realizes that there are many ways to define risk. It believes that any person or organization involved in the process of managing Foundation assets understands how it defines risk so that the assets are managed in a manner consistent with the Foundation's objectives and investment strategy as designed in this Investment Policy Statement. The Finance Committee defines risk as: The probability of not meeting the Foundation's objectives.

Allowable Investments

Cash Equivalents

- Treasury Bills
- Money Market Funds
- Short Term Investment Funds

- Commercial Paper
- Banker's Acceptances
- Repurchase Agreements
- Certificates of Deposit

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
- Planned Amortization Class Collateralized Mortgage Obligations (PAC CMOs) or other "early tranche" CMOs

Equity Securities

- U.S. Common Stocks
- Convertible Notes and Bonds
- Convertible Preferred Stocks
- American Depository Receipts (ADRs) of Non-U.S. Companies
- International Common Stocks including Developed & Emerging Markets
 - REITS

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

Prohibited Investments

While the Foundation may consider professionally managed strategies that include one or more of the following, direct investment in the following investment or transaction types are prohibited:

- Private Placements
- Direct investment in venture-backed private companies
- Derivative Investments
- Non-traded REITs
- Short Selling (except within alternative investments)
- Margin Transactions
- Investments based on algorithmic trading where there is a lack of access to the internal workings or parameters of functions of the model. These types of investment strategies are sometimes referred to as black box models.

Exclusionary Screens

The Finance Committee understands that applying values-based constraints to the portfolio may decrease returns and /or increase risk over time. The Foundation will look to minimize investments in controversial business practices, industries and products to provide additional values alignment. The Foundation will measure its public equity exposure in these controversies versus the MSCI All-Country World Index, with a goal over time to hold equal or fewer of these investments than the market index.

- Target controversial business practices, industries and products: Alcohol, Firearms, Tobacco, Military Weapons, Adult Entertainment, Coal and Consumable Fuels* (*Defined by MSCI and Standard & Poor's as companies primarily involved in the production and mining of coal, related products and other consumable fuels related to the generation of energy. Excludes companies primarily producing gases classified in the Industrial Gases sub-industry and companies primarily mining for metallurgical [coking] coal used for steel production.)

Other Investment Policies.

Unless expressly authorized by the Committee, the Portfolio and its investment managers are prohibited from:

- Purchasing securities on margin or executing short sales.
- Pledging or hypothecating securities, except for loans of securities that are fully collateralized.
- Engaging investment managers who promise to engage in such practices.

Asset Allocation-General

The Committee recognizes that the careful allocation of Portfolio assets among financial asset and sub asset categories with varying degrees of risk, return, and risk-return correlation will be the most significant determinant of long-term investment returns and achievement of Portfolio objectives for each of the Foundation's Portfolios.

The Committee expects that actual returns and return volatility may vary from expectations and return objectives across short periods of time. While the Committee wishes to retain flexibility with respect to making periodic changes to the Portfolio's asset allocation, it expects to do so only in the event of material changes to the Foundation, to the assumptions underlying Foundation spending policies, and/or to the capital markets and asset classes in which the Portfolio invests.

Asset Allocation Policy-Specific to the Endowment Portfolio and Excess Reserve Portfolio

Foundation assets comprising the Endowment and Excess Reserve Portfolios will be managed as a balanced portfolio composed of two major components: an equity portion and a fixed income portion. The expected role of equity investments will be to maximize the long-term real growth of Endowment and Excess Reserve Portfolio assets, while the role of fixed income investments will be to generate current income, provide for more stable periodic returns, and provide some protection against a prolonged decline in the market value of the equity investments.

Cash investments will, under normal circumstances, only be considered as temporary holdings in the Portfolio, and will be used for Foundation liquidity needs or to facilitate a planned program of dollar cost averaging into investments in either or both equity and fixed income asset classes.

The long-term strategic asset allocation guidelines will be determined by the Committee to be the most appropriate for the Endowment, given the Foundation's long-term objectives and short-term constraints.

Asset Allocation Policy-Specific to the Reserve and Excess Reserve Portfolio

Assets are to be invested in cash or cash/equivalents. Any fixed income investment duration should be aligned with the potential need for funds; resulting is a duration target not to exceed 36 months. All investments are required to exceed a minimum standard of investment-grade (BBB or Baa).

Rebalancing

It is expected that the Endowment Portfolio's actual asset allocation will vary from its target asset allocation because of the varied periodic returns earned on its investments in different asset and sub asset classes. The Endowment and Excess Reserve Portfolio will be rebalanced to its target normal asset allocation under the following procedures:

- The investment manager will use incoming cash flow (contributions) or outgoing money movements (disbursements) of the Portfolio or realign the current weightings closer to the target weightings for the Portfolio.
- The investment manager will review the Portfolio to determine the deviation from target weightings. During each annual review, the following parameters will be applied:
 - If any asset class (equity or fixed income) within the Portfolio is +/-5 percentage points from its target weighting, the Portfolio will be rebalanced.
 - If any fund within the Portfolio has increased or decreased by greater than 20% of its target weighting, the fund will be rebalanced.
- The investment manager may provide a rebalancing recommendation at any time.

- Performance shall be measured on a total return, time-weighted basis and presented for the year-to-date, and the trailing years, three years, and five years. Performance for periods greater than one year shall be expressed on an annualized basis. To facilitate performance comparisons, investment results should be expressed both gross and net of fees.
- The specific performance objective is to attain, within acceptable risk levels, an average annual long-term total return that meets or exceeds the sum of the Foundation's spending rate plus inflation (as measured by the CPI, consumer price index) plus investment management and related fees. In cases where the Foundation is appointed trustee of a charitable trust, the investment objective is to achieve a return that satisfies the distribution rate while retaining as much corpus as possible.

Reporting

Investment reports shall be provided by the investment manager(s) on a (calendar) quarterly basis or more frequently if requested by the Committee.

Each investment manager is expected to be available to review portfolio structure, strategy, and investment performance annually with the Finance Committee.

Administrative Procedures for providing to the Committee the Information they Need to Establish the Spending Policy

Within 60 days following the end of the calendar year, Management will provide the Finance Committee with the following information:

- Rate of returns on the Endowment Fund for each of the three previous calendar years
- Recommended spending rates based on the 36-month trailing average value for the Endowment Fund and normal accounting procedures and the recommended charitable purpose spending rate that is compliant with prudent management and industry best practices.

The process of allocating endowment earnings is as follows:

Funds are allocated for charitable purposes as designated by the donor or for allocation by the Board.

Approved at the Executive Committee meeting on April 14, 2026
Approved by the Board of Directors on April 28, 2026

APPENDIX A - LONG-TERM SUSTAINABLE ENDOWMENT
INVESTMENT OBJECTIVES AND ALLOCATION
GUIDELINES

Time Horizon

The Long-Term Sustainable Endowment (the “Portfolio”) is intended for endowed funds and donor funds with long-term (5+ years) spending plans.

Investment Objectives and Spending Policy

1. The Long-Term Sustainable Endowment assets are to be invested with the objective of preserving the long-term, real purchasing power of assets while providing a relatively predictable and growing stream of annual distributions in support of the College.
2. For the purpose of making distributions, the Foundation shall make use of a total-return based spending policy, meaning that it will fund distributions from net investment income, net realized capital gains, and proceeds from the sale of investments.
3. The distribution of Foundation assets will be permitted to the extent that such distributions do not exceed a level that would erode the Foundation’s real assets over time. The Finance Committee will seek to reduce the variability of annual Foundation distributions by factoring past spending and portfolio asset values into its current spending decisions. The Finance Committee will review its spending assumptions annually for the purpose of deciding whether any changes therein necessitate amending the Foundation’s spending policy, its target asset allocation, or both.
4. Periodic cash flow, either into or out of the Portfolio, will be used to better align the investment portfolio to the target asset allocation outlined.

Asset Allocation Guidelines

1. The Finance Committee recognizes that the strategic allocation of Portfolio assets across broadly defined financial assets and sub-asset categories with varying degrees of risk, return, and return correlation will be the most significant determinant of long-term investment returns and Portfolio asset value stability.
2. The Finance Committee expects that actual returns and return volatility may vary from expectations and return objectives across short periods of time. While the Finance and Investment Committee wishes to retain flexibility with respect to

making periodic changes to the Portfolio’s asset allocation, it expects to do so only in the event of material changes to the Foundation, to the assumptions underlying the Foundation spending policy, and/or to the capital markets and asset classes in which the Portfolio invests.

3. The Portfolio will be managed as a balanced portfolio.

The expected role of Portfolio equity investments will be to maximize long-term real growth of Portfolio assets. Equity investments will be selected with the objective of building a portfolio that is diversified by geographic region, economic sector, industry, and market capitalization. The role of fixed income investments will be to generate current income, provide for more stable periodic returns, and provide some protection against a prolonged decline in the market value of Portfolio equity investments. As a result, both credit quality and preservation of principal are a core emphasis of this allocation.

4. Cash investments will, under normal circumstances, only be considered as temporary Portfolio holdings, and will be used for Foundation liquidity needs or to facilitate a planned program of dollar-cost averaging into investments in either or both equity and fixed income asset classes.
 - a. Cash Reserves, as needed annually for Foundation operating expenses, should be kept in a separate account and managed separately from the asset allocation set forth in this policy.

5. Outlined below are the long-term strategic asset allocation guidelines, determined by the Finance Committee to be most appropriate, given the Foundation’s long-term objectives and short-term constraints. Portfolio assets will, under normal circumstances, be allocated across broad asset and sub-asset classes in accordance with the following guidelines.

	Target %	Minimum %	Maximum %
Cash and Cash Equivalents	5%	0%	10%
Fixed Income	20%	15%	40%
Global Equities	65%	55%	85%
U.S. Equities	40%	25%	65%
International Equities	25%	15%	40%
Alternatives	10%	0%	20%

APPENDIX B - SHORT-TERM PORTFOLIO

INVESTMENT OBJECTIVES AND ALLOCATION GUIDELINES

Time Horizon

The Short-Term Portfolio is intended for non-endowed donor funds with short-term (0-1 year) spending plans.

Investment Objective

The objectives of the Short-Term Portfolio are capital preservation and liquidity. The portfolio will be invested in cash or cash equivalents, including money market funds and Treasury Bills.

Asset Allocation Guidelines

	Target %	Minimum %	Maximum %
Cash and Cash Equivalents	100%	100%	100%

APPENDIX C - INTERMEDIATE PORTFOLIO

INVESTMENT OBJECTIVES AND ALLOCATION GUIDELINES

Time Horizon

The Intermediate Portfolio is intended for non-endowed donor funds with intermediate- term (1-5 years) spending plans.

Investment Objective

The objective of the Intermediate Portfolio is preservation of purchasing power. The portfolio may hold cash but will primarily be invested in a combination of U.S. Government and Corporate bonds with a maximum average duration of four years, and no single security maturity greater than 10 years.

Asset Allocation Guidelines

	Target %	Minimum %	Maximum %
Cash and Cash Equivalents	0%	0%	50%
Fixed Income	100%	50%	100%