INVESTMENT POLICY

Bridgewater State College Foundation Endowment Fund

Revised 6/9/2010
A. Statement of Purpose

The purpose of this Investment and Spending Policy is to assist the trustees of the Bridgewater State College Foundation in effectively supervising and monitoring its investment activities and to provide guidance to investment managers employed to manage assets on behalf of the trustees. This statement represents the current consensus of the Foundation’s philosophy and shall be reviewed from time to time to ensure that it continues to reflect the expectations, goals and objectives of the Foundation.

B. Philosophy

The trustees and members of the Bridgewater State College Foundation recognize that the endowment fund represents a legacy by people who care deeply about education and Bridgewater State College. It is in the context of respect and gratitude for this legacy and these people that the management of the endowment is directed toward ensuring that it become an effective tool for meeting present needs and develops into a resource for sustaining the quality of higher education at Bridgewater State College for future generations. In view of the importance of the endowment the trustees assign a high priority to the productive management of endowment assets.

The responsibility of the Foundation through its Investment Committee is to assure the most effective management of endowment assets. The Investment Committee will establish broad guidelines for investing endowment funds, select and evaluate investment managers, and establish asset allocations where applicable.

Investment managers, multi-fund managers, or mutual fund managers selected by the Investment Committee will be responsible for optimizing the return of assets within the guidelines, which will be established by the trustees of the Foundation. Other than indicated in this statement, managers will have complete specific investment discretion with the expectations that funds will be invested with care, skill, prudence and diligence. Planned giving assets will be invested with the organization, which manages these special gifts and life income arrangements.
C. Investment Objective

It is the investment objective of the Foundation to manage the endowment to preserve and enhance, in real dollar terms, the principal of the endowment fund, and at the same time to provide a dependable source of income for the annual needs of the college and the desires of the endowment donors. Unless otherwise provided by this policy Foundation investments as a whole shall be undertaken in accordance with the following objectives:

**Preservation of Capital** – Preserve the capital investment of its assets through prudent management and compliance with all existing Board of Trustees policies, guidelines and procedures covering the use and stewardship of Foundation funds.

**Liquidity** – Maintain a reasonable amount of portfolio liquidity.

**High Yield** – Attain the optimal level of current income consistent with the objectives of preservation of capital and liquidity.

**Risk** – Purchase investments with a low degree of default risk and an acceptable degree of price risk resulting from changes in the level of interest rates. Securities purchased through private placement or other non-public methods are prohibited with the exception of money market funds and/or investment vehicles classified as Non-Correlated Assets.

D. Endowment Asset Allocation Policy

The Foundation will employ an investment strategy based on diversification in its investment portfolio. Endowment funds will be spread among multiple asset classes. The asset allocation policy adopted by the Foundation trustees will define the range of asset allocation. Equity investments will be emphasized to take advantage of their higher growth rates and overall returns over time. The diversification of investment assets is to avoid unwarranted concentration of funds in a single entity that is subject to default risk and dampen the variability of returns from year to year.
The current investment guidelines, reviewed periodically, are summarized below:

<table>
<thead>
<tr>
<th>ASSET MIX</th>
<th>RANGE</th>
</tr>
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<tbody>
<tr>
<td>EQUITIES</td>
<td></td>
</tr>
<tr>
<td>US</td>
<td>40%</td>
</tr>
<tr>
<td>International</td>
<td>30%</td>
</tr>
<tr>
<td></td>
<td>70%</td>
</tr>
<tr>
<td>FIXED INCOME</td>
<td></td>
</tr>
<tr>
<td>Core</td>
<td>17%</td>
</tr>
<tr>
<td>TIPS</td>
<td>3%</td>
</tr>
<tr>
<td></td>
<td>20%</td>
</tr>
<tr>
<td>NON-CORRELATED</td>
<td>10%</td>
</tr>
</tbody>
</table>

Recognizing the short-term operational needs may require modification of the policy, the Investment Committee may authorize asset allocation variances of 15% percent (e.g., equities up to 85% percent). It is recognized, however, that variation from a long-term policy, which would reduce equity exposure, could be detrimental to the Foundation’s long-term investment objectives.

Cash invested under the short-term cash management policy will not be used to calculate the endowment allocation percentages.

The principal category of equity investments will be investment funds that emphasize high quality, investment grade, and dividend-paying stock in companies that are financially sound and have favorable prospects for earning growth.

It is expected that the largest percentage of fixed income investments shall be invested in investment funds that emphasize high-quality (primarily A to AAA rated) corporate bonds and U.S. Treasury securities.
Non-Correlated assets will be restricted to marketable strategies where the underlying assets could be converted in an orderly fashion into cash within ninety days under normal circumstances.

**E. Short-term Cash Management Policy**

The Investment Committee will be responsible for the immediate investment of current year gifts that will be required for current operations. The Committee will work with the Foundation staff to guide investment into:

- Money market funds which assure safety on the basis of high credit standards;
- Interest bearing checking accounts insured by FDIC;
- Short-term certificate of deposit issued by banks insured by FDIC and/or excess insurance coverage and/or deposit collateralized.

**F. Sale of Gifts Of Securities**

The staff of the Foundation shall promptly sell gifts of stock and securities.

**G. Spending Policy**

The spending level from endowment assets is critical to the long-term preservation and enhancement of real endowment value. Endowment growth will be carefully managed with a stated percentage total used annually to support the current needs of the College and the intent of named endowment donors. This percentage shall be determined each year by the Foundation trustees at their annual meeting in June for the following year. The Foundation uses a percentage of the three-year average of the market value of the endowment as a base. Such a controlled policy will allow for flexibility and the long-term growth of the endowment.

**H. Investment Management**

The investment Committee shall engage professional investment managers, for the direct management of the Foundation’s endowment assets. Managers will be carefully selected in a comprehensive search and review process. The
selected manager must have demonstrated ability to meet or exceed the Foundation’s performance standards through the consistent application of well-defined investment disciplines. Management fees will be negotiated and become an expense of the endowment.

The Investment Committee will monitor the performance of the investment managers twice a year. The investment managers are expected to provide a return over a complete market cycle (usually three to five years) that meets agreed-upon standards based upon an index of general market performance.

The following are more detailed benchmark indexes for each authorized asset class. These will serve as the base performance standards against which each class and manager will be compared:

<table>
<thead>
<tr>
<th>ASSET CLASS</th>
<th>BENCHMARK INDEX</th>
</tr>
</thead>
<tbody>
<tr>
<td>Equities</td>
<td></td>
</tr>
<tr>
<td>US Equities</td>
<td>Standard &amp; Poors 500 Index</td>
</tr>
<tr>
<td>Developed Mkt</td>
<td>MSCI EAFE</td>
</tr>
<tr>
<td>Emerging Mkt</td>
<td>MSCI Emerging</td>
</tr>
<tr>
<td>Fixed Income</td>
<td>Barclays Capital Aggregate Bonds</td>
</tr>
<tr>
<td>Non-Correlated</td>
<td>Treasury Bills +2%/year</td>
</tr>
<tr>
<td>Cash Equivalents</td>
<td>91-day Treasury Bills</td>
</tr>
</tbody>
</table>

The aggregate fund will be compared to an unmanaged composite of benchmark indexes weighted in direct proportion to the fund’s actual asset mix: and a nationally-recognized balanced manager universe.

I. Criteria For Selection Of Investment Managers

The Foundation shall employ investment managers whose investment philosophy and strategy complement the investment objectives of the
Foundation. The Foundation may withdraw assets from a manager at any time with or without cause. Recommendations on the purchase, retention, or sale of individual securities will be made by managers who shall be full-time, trained and experienced investment professional selected by the Investment Committee and such managers shall be charged to operate in accordance with the established guidelines and procedures of the Foundation. Managers should demonstrate the following minimum standards of competence:

1. The firm has the capability of achieving the objectives of the Foundation.
2. Experience managing $500 million or more for a minimum of three years.
3. Above-median performance, compared to a universe of similar managers.
4. Ability to build and maintain confidence through timely, effective communication.
5. Employ a clear, concise, and effective decision-making system.
6. Sufficient organizational depth and personnel to carry out its mission in this Investment Policy.
7. Strong consistency of the manager’s investment policy.
8. Adequate reporting, administration and back-office support.

J. Investment Manager Retention and Evaluation

To facilitate accurate comparisons, the Investment Committee will establish reporting criteria for Investment Managers. External Investment Managers/fund(s) will be expected to achieve an annualized total return over a three-to five-year period that exceeds an appropriate market index. Total return is defined as dividend or interest income plus realized and unrealized capital appreciation or depreciation at fair market value. The Investment Manager/fund(s) will also be expected to achieve a total rate of return that is equal to or above the median return in a universe of peers with comparable investment styles or portfolio objectives. The Investment Manager will provide performance data reports at least quarterly to the BAA Investment Committee. At a minimum, these reports shall include written comments on the following:
1. Review of investment objectives as outlined in this Investment Policy.
2. Commentary on investment results, including calculations of performance.
3. Key decisions of the period, rationale and anticipated impact on future results.
4. Outlook and specific decisions that may result from this outlook.
5. Possible changes in objective, goals, or standards based on capital markets.

In addition, managers, where applicable, shall meet with or be reviewed by the Investment Committee at least annually; and will be supplemented by other meetings as necessary for proper review.

The Investment Committee may at its discretion use an independent performance evaluation service to examine the reports of all Investment Managers, as good evidence that they are competitive in the market and their performance meets the needs and expectations of the Foundation with respect to these guidelines and the objectives outlined in this Investment Policy.

K. Other Procedures

To ensure the safekeeping of the Foundation’s investments, the following controls will be followed:

• Require approval of all major investment acquisitions and disposals by The Investment Committee.
• Require separation of recording and custodial duties associated with investments.
• Require monthly reconciliation of records on all investment activity.
L. Proxies

The investment manager(s) will have the authority to vote proxies and other corporate actions in such a manner that would produce the best long-term financial results for a company. The Foundation retains the right to have its Investment Committee direct the manager(s) to vote in certain cases.

M. Authority

The Foundation gives standing authorization to the Investment Committee to implement all aspects of the investment program. The Investment Committee will adhere to the limitation and restrictions stated in this Investment Policy.

This Investment Policy will be reviewed and ratified by the Foundation Board at least annually.