

Northwest Indian College Foundation Investment Policies, Guidelines, and Objectives

Purpose of Investment Policy Statement

This Investment Plan of the Northwest Indian College Foundation was established to facilitate a clear understanding of the investment policy, guidelines and objectives among the Northwest Indian College Foundation, Investment Consultant, and the Plan's Investment Managers. It also sets forth the guidelines and restrictions to be followed by the investment managers. Each quarter the Consultant will review with the Northwest Indian College Foundation the performance of the portfolio and each manager's conformity to the Plan's investment objectives. It is the intent of this Plan to be both sufficiently specific to be meaningful as well as flexible enough to be practical.

Mission of the Foundation

Northwest Indian College Foundation is organized for the purpose of bringing together interested friends of the college who are dedicated to the advancement of Northwest Indian College and to improving the quality of life on Washington Indian reservations as well as other reservations served by the college.

Laws and Regulations

As a general rule, the Investment Management Program will follow the Prudent Investor guidelines widely used in the investment management industry, the guidelines of Uniform Management of Association for Investment Management and Review (AIMR), and the general fiduciary standards described in the Uniform Prudent Investment Act ("UPIA").

Conflicts of Interest

The Northwest Indian College Foundation fiduciaries are expected to uphold the highest ethical standards, to conduct themselves with professionalism and dignity, to observe and respect all legal requirements, and to carry out the investment activities in order to promote the best interest of the Northwest Indian College Foundation. The fiduciaries are obligated to conduct investment business according to prudent person standards and to disclose or report any conflict of interest, which in their estimation will hinder judgment or compromise the Northwest Indian College Foundation's interests. The fiduciaries and agents are expected to be generally knowledgeable and observant of current applicable professional standards established by UMIFA, AIMR, UPIA, and by those to be established in the future.

Investment Objectives

The Northwest Indian College Foundation will employ a total return investment policy with the objective of preserving the Foundation's capital, protecting the purchasing power of the funds, providing cash flows to create scholarships, and to expend funds in accord with donor's wishes and requirements. The Northwest Indian College Foundation includes funds that the Board of Directors has discretionary control over, funds that are subject to temporary donor-imposed restrictions, and funds subject to donor restrictions requiring that assets received be maintained in perpetuity in the form of an endowment. In order to accommodate the multiple objectives of the funds, Northwest Indian College Foundation has established four separate asset pools. Specific investment objectives for the four investment pools are as follows:

I. Unrestricted Pool

The Unrestricted Pool accounts for resources over which the Board of Directors has discretionary control. This pool will serve as an operating fund. The investment objectives for the Unrestricted Pool are:

- Return: The return objective for the Unrestricted Pool will be to outperform the 90-day U.S Treasury Bills over a complete market cycle of 3-5 years.
- Risk: The Unrestricted Pool should experience less risk as measured by the standard deviation than that of the 90-day U.S Treasury Bills over a complete market cycle of 3-5 years.

Asset Allocation Policy:

The Unrestricted Pool will be invested entirely in cash equivalent securities and money market instruments.

II. Temporarily Restricted Pool

The Temporarily Restricted Pool accounts for resources subject to donor-imposed restrictions, which either expire with the passage of time or are ultimately fulfilled by the foundation. When a donor restriction expires, either through the passage of time or when a purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net asset released from restrictions. The investment objectives for the Temporarily Restricted Pool are:

- Return: The return objective for the Temporarily Restricted Pool will be to outperform a custom benchmark made up of 50% Lehman Brothers Aggregate Bond Index and 50% 90-day U.S. Treasury Bills over a complete market cycle of 3-5 years.
- Risk: The Temporarily Restricted Pool should experience less risk as measured by the standard deviation than that of a custom benchmark made up of 50% Lehman Brothers Aggregate Bond Index and 50% 90-day U.S. Treasury Bills over a complete market cycle of 3-5 years.

The Temporarily Restricted Pool will be invested according to the following Asset Allocation Policy:

| | Target % | Minimum% | Maximum% |
|---------------------------|----------|----------|----------|
| Short-Term Fixed Income | 50% | 40% | 60% |
| Intermediate Fixed Income | 50% | 40% | 60% |

III. Temporarily Restricted Endowment

The Temporarily Restricted Endowment primarily represents matching funds received from donors and the U.S. Department of Education Endowment Challenge Grant Program. During the 20-year grant period, the Foundation may expend up to half of the fund's earnings. At the end of the grant period in 2012, the Department of Education funds may be used for any educational purpose the Foundation deems suitable. Western Washington University reclaims pro rata share of \$200,000 + ½ of the earnings. The investment objectives for the Temporarily Restricted Endowment are:

- Return: The return objective for the Temporarily Restricted Endowment will be to outperform a custom benchmark made up of 60% Standard & Poors 500 Index and 40% Lehman Brothers Aggregate Bond Index over a complete market cycle of 3-5 years.

Risk: The Temporarily Restricted Endowment should experience less risk as measured by the standard deviation than that of a custom benchmark made up of 60% Standard & Poors 500 Index and 40% Lehman Brothers Aggregate Bond Index over a complete market cycle of 3-5 years.

The Temporarily Restricted Endowment will be invested according to the following Asset Allocation Policy:

| | Target % | Minimum% | Maximum% |
|----------------------|----------|----------|----------|
| Large Cap Value | 20% | 15% | 25% |
| Large Cap Growth | 20% | 15% | 25% |
| Small Cap Value | 10% | 5% | 15% |
| International Equity | 10% | 5% | 15% |
| Fixed Income | 40% | 30% | 50% |

IV. Permanently Restricted Endowment

The Permanently Restricted Endowment includes matching funds received from donors and the Bureau of Indian Affairs Endowment Program. The investment objectives for the Permanently Restricted Endowment are:

Return: The return objective for the Permanently Restricted Endowment will be to outperform a custom benchmark made up of 60% Standard & Poors 500 Index and 40% Lehman Brothers Aggregate Bond Index over a complete market cycle of 3-5 years.

Risk: The Permanently Restricted Endowment should experience less risk as measured by the standard deviation than that of a custom benchmark made up of 60% Standard & Poors 500 Index and 40% Lehman Brothers Aggregate Bond Index over a complete market cycle of 3-5 years.

The Permanently Restricted Endowment will be invested according to the following Asset Allocation Policy:

| | Target % | Minimum% | Maximum% |
|----------------------|----------|----------|----------|
| Large Cap Value | 20% | 15% | 25% |
| Large Cap Growth | 20% | 15% | 25% |
| Small Cap Value | 10% | 5% | 15% |
| International Equity | 10% | 5% | 15% |
| Fixed Income | 40% | 30% | 50% |

Investment Guidelines for all Funds

Annual Spending

The Northwest Indian College Foundation has experienced varying levels of spending. The Advisor will work with the Northwest Indian College Foundation to ensure that the fund has sufficient cash to meet expected withdrawals.

Rebalancing

If an asset class is out of the applicable range at the end of the quarter, that asset class will be rebalanced back to the target weighting. As a general rule, any cash flows in or out of the portfolio will be used to rebalance the total fund in accordance with target asset allocation guidelines.

Manager's Investment Objectives and Guidelines

The Investment Manager shall have complete discretion in the management of the assets subject to the guidelines set forth herein.

Mutual Funds

Mutual funds, commingled funds, or limited partnerships may be used in any category. When one is selected, however, it is expected that the fund will, in general, comply with the Guidelines stated for each asset category. No fund may be used without approval of the Northwest Indian College Foundation.

Fixed Income Guidelines

1. Fixed income securities may be comprised of money market instruments, U.S. Treasury Bonds, Federal Agency Obligations, Municipal Bonds, corporate bonds, mortgage backed securities, asset backed securities, and foreign government securities.
2. Fixed income managers will maintain an average portfolio duration between 80% and 120% of the duration of the Lehman Brothers Aggregate Bond Index.
3. The average portfolio quality for all fixed income managers will be A/A2 or better as measured by Standard & Poor's/Moody's.
4. At a minimum, 90% of the fixed income portfolio will be rated investment grade or higher (BBB – by S&P or Baa3 by Moody's).
5. All fixed income managers in this category are expected to outperform the Lehman Brothers Aggregate Bond Index on an after fees basis over a market cycle (3-5 years). Additionally, they are expected to outperform the median manager in the Wilshire Fixed Income Manager Universe.

Domestic Equity Guidelines

1. Subject to limitations noted below, Investment Managers may invest in equity securities listed on the principal U.S. exchanges or traded in the over-the-counter markets, including American Depository Receipts (“ADRs”).
2. Convertible securities will be regarded as equity securities within the portfolio.
3. No individual equity commitment in a Manager's portfolio (excepting mutual fund shares) should exceed 8% of the market value of the portfolio.
4. No individual equity commitment in a Manager's portfolio should exceed 5% of the issuer's outstanding equity securities.

5. Equity portfolios will be diversified across sectors and industries. Investment in a single economic sector can be no more than two times the weight of the economic sector of their specific benchmark (point 7) or 10% whichever is greater.
6. Cash equivalents may be held in the equity portfolio at the Manger's discretion. Managers will be evaluated, however, based upon their performance relative to the appropriate universe as defined below.

Large Capitalization Value Investment Managers:

Russell 1000 Value Index
Wilshire Large Cap. Value Univ.

Large Capitalization Growth Investment Managers:

Russell 1000 Growth Index
Wilshire Large Cap Growth Univ.

Small Capitalization Value Investment Managers:

Russell Small Cap Value Index
Wilshire Small Cap Value Univ.

International Equity Investment Managers:

MSCI EAFE Index
Wilshire International Equity Univ.

International Equity

If a separately managed portfolio is selected for the international equity allocation, the following guidelines will apply. If a commingled or mutual fund is selected as the investment vehicle for international equities, the portfolio guidelines in the fund prospectus should generally comply with the overall nature of the restrictions listed below.

1. An individual issue should be limited to no more than 5% of the market value of the Manager's portfolio.
2. No individual equity commitment in a Manager's portfolio should exceed 5% of the issuer's outstanding equity securities.
3. International Equity portfolios will be diversified across countries & sectors.
4. Cash equivalents may be held in the equity portfolio at the Manager's discretion. Managers will be evaluated, however, based upon their performance relative to the appropriate equity index benchmark.
5. All international equity Managers in this category are expected to outperform the MSCI EAFE Index net of fees over a 3-5 year market cycle. Additionally, they are expected to outperform the median manager in the Wilshire International Equity Universe.

Prohibited Transactions

No assets shall be invested in private placement, letter stock, options, futures contracts, or other derivatives without approval of the committee. Short selling and the use of leverage is also prohibited without prior approval of the committee.

Consultant Communication

The Investment Consultant will provide the following:

- The Consultant will provide proactive advice on all aspects of the investment portfolio including, but not limited to, investment policy changes, asset allocation decisions, and investment manager termination.
- Each quarter the Consultant will review performance measurement and evaluation reporting for each Investment Manager and for the overall Foundation, which will include:
 - i. Performance results in relation to stated objectives and policy guidelines, including both rates of return and an examination of the risk the Investment Manager assumed in order to achieve that return.
 - ii. Comparison of individual Investment Manager performance versus the appropriate relative index for the most recent quarter, and for the 3 to 5 year period then ended (*or for shorter periods as may be appropriate*). In addition, each Investment Manager will be evaluated relative to their stated investment style, and will be expected to perform in the top 40% of a peer universe.
 - iii. The total fund is also expected to rank within the top 40th percentile in the Wilshire Total Fund Universe.
- Review and discussion of any changes in economic conditions, investment manager issues, policy guidelines, or situations that might affect the performance.

Annually, the Consultant will review the Statement of Investment Objectives and Policy and will recommend any appropriate changes. The Consultant will, as appropriate, provide asset allocation studies as well as screen and introduce alternative investment management firms or strategies.

Proxy Voting

All individual Investment Managers shall be responsible for voting the proxies of their portfolio holdings. Investment Managers shall be required to provide a detailed analysis of all voting activities on an annual basis (calendar year). Investment Managers should vote all proxies to the best of their abilities to increase shareholder value.

Investment Manager Communication

The Northwest Indian College Foundation requires that each Investment Manager be responsible for preparing thorough quarterly account statements. The statements will include:

- Purchases and sales – type of security, number of shares, price per share
- Assets – type of security, number of shares, price per share
- Income receipts – both equity and fixed income
- Bond market values and accrued income

Each Investment Manager is required to be available to meet with the Northwest Indian College Foundation on an annual basis.

Investment Managers are required to inform the Foundation in writing within 10 days of any change in firm ownership, organizational structure, professional personnel, or fundamental investment philosophy.

Investment Manager Termination

Investment Managers may be terminated or put on probation at the discretion of the Consultant and with the approval of the Committee at any time.

Investment Managers may be placed on probation if any of the following occur:

1. Significant out performance or underperformance for any quarter relative to benchmark and peers
2. Trailing three year performance falls below the designated benchmark
3. Trailing three year performance falls below the median investment manager in their particular peer universe
4. Ownership changes
5. Any turnover of key investment decision makers
6. Changes in investment process or philosophy including investment style drift
7. Investment guideline violation.

Once an investment manager is placed on probation the Consultant shall provide an in depth analysis of the firm with particular attention to pertinent issues that caused the firm to be placed on probation. Consultant shall conclude this analysis with a specific recommendation to the Committee. If appropriate, a special meeting shall be held to discuss the status of the Investment Manager.

Transaction Guidelines

All transactions should be entered into the basis of best execution (*best realized net price*). Notwithstanding the above, reasonable commissions may be directed for payment of services rendered in connection with the day to day management of assets.

Statement of Acknowledgment

As an authorized representative and provider of investment services to the Northwest Indian College Foundation, I hereby acknowledge receipt and agree to conduct the investment management services in accordance with the terms of this Investment Plan.

Date: _____
Name (printed) _____
Manager _____
Signature _____

For the Northwest Indian College Foundation:

Date: _____
Name (printed) _____
Signature _____