SONOMA STATE ENTERPRISES, INC.
INVESTMENT POLICY

SECTION I – POLICY STATEMENT

The Sonoma State Enterprises Board of Directors is responsible for approval of the SSE Investment Policy.

The SSE Finance Committee, in consultation with the University Treasurer, is responsible for:

- developing and recommending to the Board, the Investment Policy for SSE
- approve asset allocation recommendations
- approve investment manager/fund recommendations
- review investment performance of invested assets to their stated objectives
- control investment expenses

It is the policy of the SSE to give the University Treasurer discretion in all investment decisions subject to the restrictions stated in this policy. SSE expects the assets to be invested with the care, skill, prudence and diligence under the circumstances prevailing from time to time that a prudent expert acting in a like capacity and familiar with such matters would use in the investment of funds of like character with similar aims. The University Treasurer, following approval from a second authorized signer, is given the authority to direct the purchase, sale, exchange, transfer, or conversion of any and all qualifying cash and investment assets as outlined in this policy.

The University Treasurer is to provide, at a minimum, an annual report to the SSE Finance Committee, detailing investment data such as current portfolio holdings, market value, performance figures and other customary or requested information. The Finance Committee Chair shall provide an annual investment report to the Board.

SECTION II – INVESTMENT OBJECTIVES

The long range investment goal of Sonoma State Enterprises, Inc. (SSE) is to ensure the continued health and growth of the Corporation by achieving a maximum rate of return on assets based on a desired level of risk and consistent with prudent investment management. The general policy of SSE shall be to diversify investments so as to provide a balance that will enhance total return while avoiding undue risk concentration in any single asset class or investment category.

This policy delineates investment assets into three separate investment pools. Performance objectives and guidelines for each pool are specified in subsequent sections of this policy. These pools are:
Working Capital Pool
Funds required for operating purposes are designed to serve as a depository of cash used to support current expenditures from the SSE operating budget. Investment objectives and accepted types of investments are detailed below.

Investment Objectives
1) To maintain a balance adequate to meet current working capital needs:
   - To maintain an immediately liquid position
   - To maintain safety of principal
2) To maintain a balance adequate to meet the working capital reserve requirement:
   - To maintain a liquid position
   - To mitigate probability of loss of principal while still targeting rates of return equal to or better than the average 90-day Treasury Bill rates
   - To provide for immediate transfer of cash to meet operating needs of the SSE, either by wire, ACH, or by check

Approved or Accepted Instruments.
1) Bank Deposit (checking account) or equivalent alternative.
2) CSU Systemwide Investment Fund-Trust (SWIFT)
   - Other investment vehicles may be used if deemed by the Finance Committee to be acceptable and in the best interests of SSE

Long Term Investment Pool
Funds held with objective to achieve a “real” (actual value minus inflation) total return which emphasizes preservation of capital while enhancing purchasing power of the assets over time. The long term total return objective for the portfolio shall be inflation, as determined by the Greater Bay Area Consumer Price Index (CPI), plus 3 percent. Asset allocation guidelines and suitable investments, with an appropriate and commensurate level of investment risk, will be established in an attempt to meet this return objective.

Asset Allocation targets, ranges, and representative benchmarks are recommended based on an analysis of the role of the investment in the portfolio and a determination that the expected risk and return profile are in alignment with overall portfolio objectives and policies. Diversification is to be used as a means to dampen performance return volatility
and lower concentration risk. The approved asset allocation targets for SSE’s Long Term Investment Pool assets are as follows:

<table>
<thead>
<tr>
<th>Asset Class</th>
<th>Target Wt</th>
<th>Benchmark</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash &amp; Equivalents</td>
<td>10%</td>
<td>90 Day T-bills</td>
</tr>
<tr>
<td>Fixed Income Strategies</td>
<td>40%</td>
<td>Barclays Aggregate Bond</td>
</tr>
<tr>
<td>Equity Strategies</td>
<td>50%</td>
<td></td>
</tr>
<tr>
<td>Domestic Equities</td>
<td>90%</td>
<td>S&amp;P 500</td>
</tr>
<tr>
<td>International Equities</td>
<td>10%</td>
<td>MSCI World ex US</td>
</tr>
</tbody>
</table>

Special Investment Pool
This pool accommodates all assets which were acquired per approval by the SSE Board of Directors and either by constraint, by special circumstance, or by type of investment, was determined not to be included in the other investment pools. The types of investments may vary and are to be monitored on an individual basis. Real assets owned by SSE, held for investment or other purposes would be reflected in this pool.

SECTION IV – RELEVANT INVESTMENT ACTIVITY RISKS

Many types of risks exist which may impact SSE’s investments, including but not limited to: volatility, inflation, liquidity, and underperforming benchmarks.

The most relevant and comprehensive definition of risk is failing to achieve the SSE’s policy objectives. Anything that increases the likelihood of failing to achieve these objectives can be accurately defined as risky. Therefore, all actions, strategies, and asset classes should be considered or reviewed in the context of whether they will likely enhance or erode the chances of achieving policy objectives, which may vary by pool. Those that increase the probability of attaining goals should not be considered risky.

SECTION V – INVESTMENT ACTIVITY RESTRICTIONS

SSE prohibits following types or methods of investments:
- trading in securities on margin
- trading in commodity futures
- investments in exploration of and working interests in oil or gas wells
- the purchase of “puts,” “calls,” and “straddles”
- the sale and purchase of warrants and options without prior approval
- selling short
SECTION VI - INVESTMENT COSTS/FEES

Prudence is to be conducted in incurring investment costs or fees, authorizing only costs that are appropriate and reasonable in relationship to the assets, the purposes of the funds, and the skills available to SSE.

SECTION VII – POLICY INTENT AND REVIEW

This statement of investment objectives and policy is intended for use as a guide to assist the SSE Finance Committee and the University Treasurer. It should not be considered as a legal document or contractual obligation. It is intended to be a flexible document and may be updated as appropriate based on the financial condition of the SSE and the status of the financial markets. The purpose of this policy is to assist all parties in the management of SSE’s investments.

Original: November 12, 1993
Revised: May 18, 2001
Revised: September 16, 2011