HAYWOOD COUNTY SCHOOLS FOUNDATION

Haywood County Schools Foundation

Investment Policy

HCSF Permanent Funds
Institutional Endowment
HCSF Unrestricted Funds

INVESTMENT POLICY STATEMENT

I.) SCOPE

This investment policy statement reflects the unique investment policies, objectives and constraints of the **Haywood County Schools Foundation (HCSF) Permanent Funds.** Undesignated and Unrestricted Operating Funds – while being integral to the Foundation Administration are outside the scope of this policy.

II.) PURPOSE

The purpose of this statement is to establish and communicate a clear understanding of the investment policies and objectives of the Haywood County Schools Foundation (the Foundation) among and between the Finance Committee of the Board of Directors (the Finance Committee), the Investment Consultant, and the Investment Managers/Advisors (the Managers/Advisors). This statement will outline an overall philosophy that is specific enough for the Managers/Advisors to know what is expected, but sufficiently flexible to allow for changing economic conditions and securities markets. The policy will define and assign the responsibilities of the involved parties. The policy will provide realistic risk policies to guide the Managers/Advisors toward long-term rate of return objectives, which will serve as standards for evaluating investment performance. The policy also will establish the investment restrictions to be placed upon each Manager/Advisors, and will outline procedures for policy and performance review.

III.) DELEGATION OF AUTHORITY

The ultimate responsibility for the proper supervision of the Fund's investment portfolios shall rest with the Committee. The Committee will be responsible for establishing investment policies and guidelines. Policies will be reviewed and reported to the Board of Directors annually. The committee is responsible for implementing the investment policies of the Fund and is authorized to delegate certain responsibilities to professional experts in various fields. The Glossary located at the end of the Investment Policy contains a more detailed description of roles and responsibilities of these experts.

As described in the Policies and Restrictions outlined in Section V of this statement, the Committee will not reserve any direct control over investment decisions, with exception of the specific limitations described in this statement. The Managers/Advisors will be held responsible and accountable to achieve the objectives stated herein. While it is believed that the limitations will not hamper the Managers/Advisors, each Manage/Advisor should request modifications that they deem appropriate.

IV.) INVESTMENT OBJECTIVES

Investments will be made for the sole interest and exclusive purpose of providing returns for the foundation. The assets must be invested with the care, skill and diligence that a prudent person acting in this capacity would undertake. All investments will be made within the guidelines of quality, marketability and diversification as outlined by the policy and in compliance with any controlling state and/or federal statutes or any other guidelines directly affecting the prudent investment of the assets. This investment policy states the overall investment objectives of the account. It also contains a target asset mix and asset mix restrictions, which in combination with the skills of the Manager/Advisors, should achieve these objectives.

The foundation's funds are divided into two primary categories. For the purposes of this Statement, each category will be identified as a Fund Pool. Each Fund Pool will have its own investment objectives and time horizon. Therefore, this Statement will identify return objectives, risk tolerances and an asset allocation mix for each Fund Pool. The Fund Pools include the **Permanent** and the **Unrestricted Fund Pool**. Although the Fund Pools will have individual objectives, the policies and restrictions shown in Section V of this Statement will be uniformly applied to all of the Foundation's funds.

Permanent Endowment funds are distinguished from unrestricted funds because it is understood that it is the intent that the endowment's principal is not to be diminished or expended. This contrasts with the Foundation's unrestricted funds where expenditure of principal is expected over time.

A.) Returns

The following sections outline the primary objectives of each Fund Pool:

1· **Permanent (including endowment) -** These funds are intended to provide maximum capital appreciation and income for donor designated, scholarship and/or programmatic support while preserving capital and keeping pace with inflation. The primary objective of this Pool is to distribute an appropriate amount of growth and income to provide programmatic support and preserve the value of the donor's endowment. It is specifically understood that the principal of any endowment is not to be expended. The guidelines of North Carolina Statute 36E, Uniform Prudent Management of Institutional Funds Act, or a successor statute are to be followed in determining distributions from endowed accounts. Therefore, the Pool should be invested to provide total return with an emphasis on capital appreciation and moderate income. This Pool has a long-term time investment horizon.

a. Rate of Return - The Committee recognizes that distributions to be made in the future are as important as the distributions made today. This is consistent with the philosophy that the Foundation's endowment funds are to exist in perpetuity and therefore, should provide distributions in perpetuity. To attain this goal, the overriding objective of the Fund Pool is to maintain purchasing power while providing income for programmatic support. That is, net of distributions and investment expenses, the objective is to grow the aggregate Fund Pool at the rate of inflation over the fund's long-term investment horizon. The expectations of this fund pool may be expressed as follows:

Total Return = Distributions + Inflation + Investment Expense + Growth

b. Distribution / Spending Policy - Moving Average Determination - The Committee and the Board have agreed that a general guideline is to support an annual payout of endowment funds up to 4% from the Foundation's active endowment accounts. Thus, the Fund Pool will be distributed using the moving average method of determining year to year the amount to be "paid out" in order to smooth distributions from the aggregate endowment fund pool. The permanent & temporary "portfolio value" will be determined on a 36-month moving average of monthly portfolio market value. This policy serves two purposes. First, it provides for more consistent and predictable spending for the programs supported by the permanent & temporary Fund Pool. Second, it allows the Committee to monitor an investment strategy that ensures a higher return than might be the case if distributions were determined by annual investment performance. With the annual determination method, there is a tendency to pay out the "excess" earnings during periods of over performance, while maintaining certain absolute dollar floor of distributions during periods of under performance. Over the long term, this may result in an erosion of real principal. Therefore, by smoothing the distributed amount, the Committee seeks to reduce the likelihood of real portfolio erosion due to portfolio volatility. Hence the up to 4% annual payout guideline.

c. Implementation Matters - The Committee shall develop specific implementation procedures including an accounting procedure to effectuate the policies contained herein.

d. Endowment Accounting - Endowment and “seed funds” (future endowment funds) shall be invested in a common endowment pool. The endowment pool is a utilized pool of investments in which all the endowments are invested. The pool is similar to a mutual fund as each endowment owns a number of units in the pool. The number of units owned is determined by applying the market method. Under this method, each endowment is assigned a number of units based on the relationship of the market value of all investments at the time of entry into the pool. The pooled assets are valued and new unit values are calculated at the end of each month. The new unit value is used to determine the number of units to be allocated to new endowments entering the pool or to value the equity of funds withdrawing from the pool. Investment pool income, gains and losses are allocated monthly to participating endowments based on the number of units held by each endowment during the month. Gifts received during the month purchase units at the value determined at the end of the month and are placed into the pool on the first day of the month following the month in which they were received.

The amount of endowment return available for spending during a fiscal year is to be determined on the basis of the number of units as of the preceding June 30. The anticipated distribution per unit is not to exceed up to 4% (see page 4) of the average market value per unit for the last 12 quarters unless approved by the Foundation’s board of directors.

Each Division (individual school or program that is under the direction of the Haywood County Public School Board of Education), participating in the endowment pool may elect to have less than the approved spending rate distributed from its endowment assets in the endowment pool. Unexpended distributions shall be carried over for expenditure during the subsequent year unless the division for which the endowment is managed instructs the Foundation to reinvest the distribution amount in that particular endowment.

Seed funds shall have all gains and losses allocated to them and any income allowed to them shall be reinvested in the applicable fund until such time as the particular seed fund shall reach their minimum expected level of activation pursuant to the donor’s gift agreement.

The actual transfer of cash from the Foundation to the particular divisions or programs shall occur annually on the first day of the fiscal year.

Additional distributions may be made available for new units purchased after June 30. New gifts purchasing units after the June 30th date will be entitled to receive a prorated amount of the annual distribution per unit. The amount to be distributed for new units shall be a percentage of the total invested, (i.e., 25%, 50%, 75%) to be determined by the quarter in which the new units entered the pool.

The Foundation's Treasurer will distribute a statement of activity to the participating divisions and programs at least semi-annually. The statement will include:

a. the beginning account balance at fair market value, stated in dollars and units;
b. any additions to the fund stated in dollars and units;
c. income distributions from the fund stated in dollars;
d. withdrawals from the fund stated in dollars and units;
e. rate of return of the fund for the applicable period.

B.) Risk

Understanding that a long-term positive correlation exists between volatility (risk) and expected returns in the securities markets, the Committee has established the following short-term objectives concerning risk:

- Maintain risk characteristics that are similar to the risk characteristics of the target policy mix outlined in Section 5A of this Statement. In addition, in the individual Segments, each Manager/Advisor should maintain risk characteristics similar to their respective asset and style benchmark as outlined in their Sub-Policy. Risk is defined by the volatility, or standard deviation, of the portfolio returns.

A.) INVESTMENT POLICIES AND RESTRICTIONS

The Committee intends to use the investment policies and restrictions present in this statement as a framework to help the Manager/Advisor achieve the investment objectives at a level of risk deemed acceptable. The policies and restrictions are designed to minimize interfering with Manager's/Advisor's efforts to attain overall objectives and to minimize excluding them from appropriate investment vehicles. The policy allows the Managers'/Advisors' prudent and reasonable discretion over the diversification of assets for the purposes of increasing investment returns and/or reducing risk exposure. When appropriate, the Committee also gives to the Manager/Advisor responsibility to shift the commitment of assets among industry sectors and individual securities to pursue opportunities presented by long-term secular changes within the capital markets.

A.) Asset Allocation

The Committee expects the asset allocation policies to reflect and be consistent with the investment objectives and risk tolerances expressed throughout this statement. These policies, developed after examining the historical relationships of risk and return among asset classes, are designed to provide the highest probability of meeting or exceeding the return objectives at the lowest possible risk.

Target Asset Mix

Asset Class	Permanent
	Target Weight (Ranges)
Large Cap Equities	0%-41%
Small & Mid Cap Equities	0%-17%
International Equities	0%-17%
Internal Equities - Emerging	0%-5%
Fixed Income - Short Term	0%-17%
Fixed Income-Intermediate	0%-25%
Fixed Income – High Yield	0%-5%
Fixed Income-International	0%-10%
Cash & Equivalents	0%-10%

- **Altering the Asset Mix -** The Committee will provide each Manager/Advisor asset allocation guidelines for their specific asset classes in separate sub policies. If the Manager/Advisor believes that certain opportunities justify allocation beyond the limits prescribed in the sub policy, he/she may exceed them only with the written consent of the Committee.

- **Cash Target Weight and Cash Retention –** The Committee will review and determine the Target Weight of Cash & Equivalents on a regular basis. This level will be determined based on discussion with and recommendations from the Manager/Advisor. The Target Weight will also include any cash retained and invested separately by the Foundation. The committee will communicate the amount of cash retained and invested separately by the Foundation to the Manager/Advisor regularly, but no less than quarterly so that the Target Weight of Cash & Equivalents remains within the Target Range.

- **Investment of New Assets** – When significant assets ($300,000 or above) are received by the Foundation, the committee will transfer funds to the Manager/Advisor in equal installments over a 3 month period in order to dollar cost average the new assets into the existing asset structure.

B.) Diversification

In order to achieve a prudent level of portfolio diversification, there shall be no undue concentration of a specific account's assets in securities of a single issuer or industry sector. Specific restrictions on the extent of holdings in one security and/or industry sector are provided for each asset class in the Equities, Fixed Income and Cash & Equivalents sections of this statement respectively.

C.) Responsibilities of the Investment Managers

Each Manager/Advisor must acknowledge in writing its acceptance of this Investment Policy Statement and the objective and guidelines contained in this statement both general and specific to the investment account they will be managing. Each Manager/Advisor will have discretion to make all investment decisions for the assets placed under its jurisdiction, while observing and operating within all policies, guidelines and objectives outlined in this statement; including:

- Discretionary investment management including decisions to buy, sell, or hold individual securities and to maintain a well diversified portfolio within the guidelines established in this statement.

- Reporting to the Committee and the Consultant quarterly investment performance results.

- Communicating to the Committee and the Consultant any major changes to economic outlook, investment strategy, or any other factors which affect the implementation of investment process and/or the progress towards the stated investment objective.

- Communicating to the Committee and the Consultant any qualitative change to the investment management organization; including changes in portfolio management/research personnel, ownership structure, investment philosophy/style, investment process, etc.

D.) Equities

In keeping with the general philosophy, the Committee expects the Manager/Advisor to maintain equity portfolios at a risk level roughly equivalent to that of the benchmark selected for their specific asset class, with the objective of exceeding its results. The following limitations apply to each Manager/Advisor Segment individually

- **Selection —** To achieve the desired quality and liquidity levels equity holdings may be selected from the New York, American, Regional Stock Exchanges, Foreign Exchanges, OTC and/or the NASDAQ markets. These holdings (at cost) must represent companies meeting a minimum capitalization requirement of $50 Million for Small Cap Equities and $1 Billion for Large Cap Equities with high market liquidity.

- **Maximum Investment -** Within the above guidelines, the Committee gives the Manager full responsibility for security selection and diversification, subject to a maximum 5% commitment of the account's market value for an individual security, 10% commitment for a single issuer and twice the index weighting for a particular industry (versus the Manager's comparative benchmark). The Manager/Advisor also will have full discretion over turnover and allocation of equity holdings among selected securities and industry groups, within the limits described above.

- **Prohibited Investments -** The Manager/Advisor is prohibited from investing in private placements, letter stock, and uncovered options; or from engaging in short sales, margin transactions or other specialized investment activities, including, but not limited to structured investment vehicles (SIV's), and like Derivative Investments. The Manager/Advisor also is prohibited from making investments in contracts of financial futures, commodities, and currency exchange. In addition, the Manager/Advisor is prohibited from investing in securities issued by the asset Manager/Advisor and/or the directed trustee/custodian bank, their parent companies or subsidiaries. It is expected that no assets will be invested in securities whose issuers are in bankruptcy proceedings.

- **Mutual Funds -** The Committee may approve the use of equity mutual funds to achieve the Pool's objectives and asset allocation strategy with the understanding that the investment policy stated in the mutual fund's prospectus supersedes the guidelines set forth in this statement.

E.) Fixed Income

Investments in fixed income securities will be managed actively to pursue opportunities presented by changes in interest rates, credit ratings, and maturity premiums. The Manager/Advisor may select from appropriately liquid preferred stocks, corporate debt securities, obligations of the U.S. Government and its agencies, tax-exempt securities of municipal and state governments, and securities convertible to equities. The following limitations apply to each Manager/Advisor segment individually:

- **Duration -** The duration of the fixed income portfolios must average between plus or minus 20% of the duration of the representative benchmark. Example: If a portfolio's objectives, performance, and risk characteristics are measured versus the Barclay's Intermediate Govt. Corp Bond Index, then it is expected that the portfolio's duration will range between + or — 20% of the duration of that index.

- **Maximum Investments -** No more than 5% of the account's market value may be invested in a single issue or 10% with a single issuer with the exception of the U.S. Government and its agencies so long as any such government or agency issue shall be backed with the full faith and credit of the U.S. Government.

- **All Fixed Income Securities -** Investment credit ratings for fixed income portfolios must adhere to the policy of meeting an average quality rating of AA or higher by either Standard & Poor's, Moody's or Fitch Investors Service. Preferred stock holdings must meet or exceed an average rating of AA or better by Standard & Poor's, Moody's or Fitch Investors Service at the time of purchase. No securities rated lower that A or equivalent will be utilized in the portfolio.

- **Collateralized Mortgage Obligations –** Investment in Collateralized Mortgage Obligations (CMO's) will only be made with the written permission of the Committee. If approved, the investment Manager/Advisor will use prudence in managing the risk of (CMOs), while adding incremental return to the overall portfolio. Only CMOs backed by pools of mortgages guaranteed by the full faith and credit of the U.S. Government or an agency thereof will be used. Volatility will be held to a reasonable level by avoiding securities such as support bonds, interest-only STRIPs and other CMOs that are subject to wide swings in cash flows, price and total return.

- **Prohibited Investments -** The Manager/Advisor is prohibited from speculating in fixed income or interest rate futures as well as investing in private placements. In addition, the Manager/Advisor is prohibited in investing in securities issued by the asset Manager/Advisor and/or the directed trustee/custodian bank, their parent companies or subsidiaries.

- **Mutual Funds -** No load open-end or closed-end management type investment companies or investment trusts registered under the Investment Company Act of 1940, as amended, where the investment is made by a bank or trust company or savings and loan association or other financial institution when acting as trustee or agent for a bond or other debt issue of that local government unit, political subdivision, or county treasurer if the particular portfolio of the investment company or investment trust in which the investment is made (i) is limited to obligations described in items (1), (2), and (5) of this subsection, and (ii) has among its objectives the attempt to maintain a constant net asset value of one dollar a share and to that end, value its assets by the amortized cost method. The Committee may approve the use of fixed income mutual funds to achieve the Pool's objectives and asset allocation strategy with the understanding that the investment policy states in the mutual fund's prospectus supersede the guidelines set forth in this statement. Within the above restrictions, the Manager/Advisor has complete discretion over timing and selection of fixed income securities.

F.) Cash and Equivalents

The Manager/Advisor may invest in commercial paper, bankers acceptances, repurchase agreements, Treasury securities, certificates of deposit, floating rate debt obligations, bank vehicles and money market funds to provide income, liquidity, and preservation of principal. The following limitations apply to each Manager Segment individually:

- **Maturities -** The maximum maturity for all such assets must represent 1 year at the time of purchase.

- **Maximum Investments -** No more than 5% of the account's market value may be invested in a single issue or 10% with a single issuer with the exception of issues by the U.S. Government and its agencies and money market funds.

- **Un-invested Cash -** Un-invested cash reserves must be kept at minimum levels and should be invested within two (2) weeks of receipt.

- **U.S. Government Issues -** Any obligation of the U.S. Government or its agencies is acceptable.

- **Commercial Paper -** Commercial paper must be rated A-1/P-1 by Standard & Poor's and/or Moody's and mature within one year. Issuers must have at least an A rating on their long-term debt. Non-rated paper shall be limited to the banking industry classifications. Direct placement paper with buy-back provisions is preferred, but not required.

- **Custodian Bank Vehicles -** Within the diversification and quality guidelines set forth above for commercial paper issues, bank demand note arrangements may be used.

- **Bankers Acceptances -** Only approved domestic banks.

- **Repurchase Agreements -** With banks fully collateralized.

- **Certificates of Deposit -** Not to exceed current FDIC insurance limits with any single savings and loan association or bank.

- **Prohibited Investments -** Investments in short-term speculative financial instruments are prohibited.

Within the limitations mentioned above, the Manager/Advisor has complete discretion to allocate and select short-term cash and equivalent securities.

G.) Derivative Securities

The investment managers shall not utilize derivative securities to increase the actual or potential risk posture of the portfolio. Subject to other provisions in the Investment Policy Statement, the use of primary derivatives, including, but not limited to, Structured Notes, lower class tranches of Collateralized Mortgage Obligations (CMOs)*, Principal Only (PO) or Interest Only (IO) Strips, Inverse Floating Securities, Futures Contracts, options, short sales, margin trading and such other specialized investment activity is prohibited.

Moreover, the investment Managers/Advisors are precluded from using derivatives to effect a leveraged portfolio structure (if options and futures are specifically approved by the Finance Committee, such positions must be offset in their entirety by corresponding cash or securities).

The Finance Committee must explicitly authorize the use of such derivative instruments, and shall consider certain criteria including, but not limited to, the following:

- Manager's/Advisor's proven expertise in such category
- Value added by engaging in derivatives.
- Liquidity of instruments.
- Actively traded by major exchanges (or for over-the-counter positions, executed with major dealers).
- Manager's/Advisor's internal procedures to evaluate derivatives, such as scenario and volatility analysis and duration constraints.

*Lower class defined by the Federal Financial Institutional Council (FFIEC)

H.) Other Assets

The Manager/Advisor will not purchase assets other than those mentioned above without the written consent of the Committee. Investments in contracts of financial futures, commodities, and currency exchange are prohibited. Investments not specifically addressed by this statement are forbidden without written consent.

I.) Social Responsibility

There are no industries or investments that are restricted from investment due to social concerns. Specific prohibitions may however be outlined in any written engagement letter/agreement entered into with a professional investment advisor.

J.) Special Procedures

All equities received as gifts will be sold as soon as possible unless otherwise directed by the Committee in writing and the net proceeds invested in accordance with the Investment Policy Statement. All equities are subject to any requirements as set forth by the Internal Revenue Service.

K.) Rebalancing

The Foundation Board recognizes that rebalancing is inherent to the element of diversification, where the goal is to create a portfolio that balances the appropriate levels of risk and return. That balance, once achieved, only can be maintained by periodically rebalancing to the preferred asset allocation guidelines. Policy will mandate annual rebalancing (minimum), though the Investment Committee reserves the right to review quarterly as deemed prudent. In addition, investment counsel will by policy seek to rebalance to preferred asset allocation guidelines when notified of any distributions or contributions.

VI.) INVESTMENT CONSULTANT AND MANAGER SELECTIONS

The Committee's selection of Managers must be based on prudent due diligence procedures. A review will be conducted and a search will follow.

A qualifying investment manager must be a Registered Investment Advisor under the Investment Advisors Act of 1940 or be part of a bank or insurance company. At a minimum, selection criteria will include historical risk & return, correlation to asset class & investment style, experience of investment professionals, depth of research capability, strength of investment process, diversification of portfolios, assets under management, and consideration of the investment management company as a going concern.

VII.) INVESTMENT MANAGER/ADVISOR & PORTFOLIO REVIEW

As stated in Investment Manager Responsibilities (Section above), each Managers/Advisors is expected to provide the Committee a quarterly account review describing investment performance (time-weighted), detail of holdings & transactions, and account value. Also, the Committee must receive information about changes in the Manager's/Advisor's investment strategy & philosophy, management, ownership, and key personnel in a timely fashion, which is not to exceed one month from the change.

Performance reports generated by the Manager shall be compiled at least quarterly and communicated to the Committee for review. The investment performance of the total portfolio, as well as the asset class components, will be measured against commonly accepted performance benchmarks as shown in the Asset Allocation section (Section above). Consideration shall be given to the extent to which the investment results are consistent with the investment objectives, goals and guidelines.

Meetings will be held on a minimum annual basis between the Committee and the Manager or as requested by either party.

- The Manager's/Advisor's investment performance and risk levels relative to the stated policies and objectives.

- The Manager's/Advisor's views on important developments within the economy and the securities markets, and the potential effect on investment strategy, asset allocation and account performance.

- The effects of changes within the Manager's/Advisor's organization on personnel, investment philosophy, strategy, research capabilities, business matters and/or performance.

- Proposed amendments to the policies and objectives presented in this statement.

The Committee may call more frequent meetings if significant concerns arise about the Manager's/Advisor's performance, strategy, personnel, organizational structure or any other qualitative factors. The Committee intends to evaluate the portfolios over at least a three to five year period, but reserves the right to terminate a manager for no reason or any reason at all including but not limited to the following:

- Investment Performance which is significantly less than anticipated given the discipline employed and the risk parameters established, or unacceptable justification for poor relative results.
- Failure to adhere to the stated investment management style and/or asset class for which the Manager/Advisor was selected (Style Drift).

- Failure to adhere to any aspect of this Investment Policy Statement; including communication and reporting requirements.

- Any significant changes to the investment management organization.

VIII.) POLICY REVIEW

The Investment Policy Statement shall be reviewed by the Committee and reported to the Board of Directors at least annually.

IX.) ECONOMIC BENEFITS AND COSTS

The Committee shall review and report to the Board of Directors the complete economic benefits provided by the Consultants and the Managers/Advisors and shall receive a report annually as to all expenses (including hard and soft credits and specific management fees) associated with the investment and management of the Foundation's Endowment and General Purposes Funds

X.) Due Diligence

If the Foundation receives a gift that is in excess of 5% of the total value of the Foundation's assets at the time of the gift and the intention of the gift is not clear, the gift will be placed in any of the Foundation's existing liquid investment accounts to be held for up to 120 days or until the date at which the purpose of the gift is determined, whichever is earlier. The Foundation Treasurer/Executive Director will research appropriate use of funds during this time frame and make a recommendation to the Finance Committee regarding the use of the gift. If the purpose/use of the gift is still unclear after this timeframe and/or does not meet the gift acceptance policy criteria, the Finance Committee will be notified of the issue by the Foundation Treasurer/ Executive Director. Appropriate action will be determined at this time by the Finance Committee (including returning the gift to the donor). If the gift does meet the gift acceptance policy criteria and the use of the gift is clear, it will be taken out of the account and placed in the appropriate investment accounts based on HCS Foundation Investment Policy and the final determination of use as directed by the Finance Committee. At all times during this process the Finance Committee will be kept informed timely of all actions regarding any asset that meets the criteria for review under the due diligence process. If the gift is returned, any income derived will stay with Haywood County Schools Foundation.

ACKNOWLEDGMENT OF MASTER POLICY

By acknowledging in writing the receipt of this statement the Committee, the Consultants and the Manger all agree to its terms and conditions. Any modifications to this policy shall be reviewed with the Managers/Advisors prior to implementation.

The signatures below affirm that this statement has been read, understood and accepted.

_______________________________________ __________________
Chairman, HCS Foundation Board of Directors   Date

_______________________________________ __________________
Investment Manager   Date

_______________________________________ __________________
Investment Consultant   Date

This policy was approved by the HCS Foundation Board of Directors on _____________________2013.

Glossary

Investment Consultant - The Consultants assist the Committee in establishing investment policy; objectives and guidelines; selecting investment managers; reviewing managers; measuring and evaluating performance; and other tasks deemed appropriate by the Committee. As of the approved date of this policy, Wachovia Securities is the investment consultant.

Investment Manager - The Manager/Advisor has discretion to purchase, sell, or hold the specific securities that will be used to meet the Foundation's objectives for the Manager's/Advisor's specific investment account (as stated in this Policy and the Manager's/Advisor's Sub-Policy).

Directed Trustee/Custodian Bank - The Custodian will maintain possession of the securities held on behalf of the Foundation, collect dividends and interest payments, redeem maturing securities, and effect the receipt and delivery following purchases and sales of assets. The custodian may also perform regular accounting of the assets owned, purchased, or sold as well as the movements of assets in and out of the Foundation's individual accounts.

Division - Any school or program under the direction of the Haywood County Schools Board of Education.