St. HOPE Leadership Academy Board of Trustees

Investment Policy Statement

I. Introduction

The purpose of this Investment Policy Statement is to establish guidelines for St. HOPE Leadership Academy Charter School's (the "School") investment portfolio (the "Portfolio"). The statement also incorporates accountability standards that will be used for monitoring the progress of the Portfolio's investment program and for evaluating the contributions of the manager(s), if any, hired on behalf of the School.

II. Role of the Investment Committee

The Investment Committee (the "Committee") is acting in a fiduciary capacity with respect to the Portfolio, and is accountable to the Board of Trustees of the School for overseeing the investment of all assets owned by, or held in trust for, the School and making appropriate recommendations regarding the Portfolio.

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

The policies contained herein have been formulated consistent with the School's anticipated financial needs and in consideration of the School's tolerance for assuming investment and financial risk, as reflected in the majority opinion of the Committee and as approved by a majority of the Board of Trustees.

Policies contained in this statement are intended to provide guidelines, where necessary, for ensuring that the Portfolio is managed consistent with the short-term and long-term financial goals of the School. 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 School.

The Committee will review this Investment Policy Statement at least once per year and suggest changes, if any, to the Board of Trustees. Changes to this Investment Policy Statement can be made only by affirmation of a majority of the Board of Trustees, and written confirmation of the changes will be reflected in the minutes of the Board of Trustees and provided to any other parties to whom the Committee or Board of Trustees has delegated investment management responsibility for the Portfolio as soon thereafter as is practical.

III. Investment Objective and Spending Policy

The Portfolio is to be invested with the objective of preserving the long-term, real purchasing power of the invested principal while providing a relatively predictable and growing stream of annual distributions in support of the School and/or any such programs as the Board of Trustees may direct such distributions.

For the purpose of making distributions, the School 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, thereby preserving principal.

The distribution of Portfolio assets will be permitted to the extent that such distributions do not exceed a level that would substantially erode the Portfolio's principal over time. The Committee will seek to reduce the variability of annual Fund distributions by factoring past spending and Portfolio asset values into the recommendations that the Committee makes to the Board of Trustees. The Committee will review its spending assumptions annually for the purpose of deciding whether any changes therein necessitate a recommendation to the Board of Trustees to amend the spending policy, the target asset allocation, or both.

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 in the asset allocation policy at Section IV.(b). herein.

IV. Portfolio investment policies

(a) General factors to be considered

In managing and investing the Portfolio, the Committee will consider the following factors in making any recommendation to the Board of Trustees:

(i) general economic conditions;

(ii) the possible effect of inflation or deflation;

(iii) the expected tax consequences, if any, of investment decisions or strategies;

(iv) the role that each investment or course of action plays within the overall investment Portfolio;

(v) the expected total return from income and the appreciation of investments;

(vi) other resources of the School;

(vii) the needs of the School and the Portfolio to make distributions and to preserve capital; and

(viii) an asset's special relationship or special value, if any, to the purpose of the School.

Further, all management and investment decisions about an individual asset shall be made in the context of the Portfolio as a whole and as part of an overall investment strategy having risk and return objectives reasonably suited to the School.

(b) Asset allocation policy

The Committee recognizes that the strategic allocation of Portfolio assets across broadly defined financial asset and subasset 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. This understanding is weighted against the stated goals of the Board of Trustees for the Portfolio, namely that the allocation of the Portfolio be (i) conservative and (ii) not overly complex.

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 recommendations for periodic changes to the Portfolio's asset allocation, it expects to do so only in the event of material changes to the Portfolio, to the assumptions underlying Portfolio spending policies, and/or to the capital markets and asset classes in which the Portfolio is invested.

Fund assets will be managed as a balanced portfolio composed of two major components: an equity portion and a fixed income portion. The expected role of Portfolio equity investments will be to maximize the long-term real growth of 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 Portfolio equity investments.

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

Outlined below are the long-term strategic asset allocation guidelines, determined by the Committee, and approved by the Board of Trustees, to be the most appropriate, given the School's long-term objectives and short-term constraints. Portfolio assets will, under normal circumstances, be allocated in mutual or exchange traded funds in accordance with the following guidelines:

Asset class	Target allocation
Equity	70%
Fixed Income	30%
Cash	0%

To the extent the Portfolio holds investments in nontraditional, illiquid, and/or nonmarketable securities including (but not limited to) venture capital, hedge funds, and real estate investments, these assets will be treated collectively as alternative investments for purposes of measuring the Portfolio's asset allocation. While not specifically considered within this policy, alternative investments may comprise no more than 15% of total Portfolio assets and, to the extent they are owned, will proportionately reduce target allocations to the three primary asset classes itemized above.

(c) Asset diversification policy

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 time 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:

(i) With the exception of fixed income investments explicitly guaranteed by the U.S. government, no single investment security shall represent more than 5% of total Portfolio assets.

(ii) 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).

To the extent the Portfolio is invested in independently managed mutual or exchange-traded funds, such investments shall be subject to the asset allocation policy set forth in Section IV.(b)., but not subject to the asset diversification policy set forth in Section IV.(c).

(d) Rebalancing

It is expected that the Portfolio's actual asset allocation will vary from its target asset allocation as a result of the varying periodic returns earned on its investments in different asset and subasset classes. The Portfolio will be rebalanced to its target normal asset allocation under the following procedures:

(i) The Committee will use incoming cash flow (contributions) or outgoing money movements (disbursements) of the Portfolio to realign the current weightings closer to the target weightings for the Portfolio.

(ii) The Committee will review the Portfolio annually to determine the deviation from target weightings. During each semiannual review, the following parameters will be applied:

   a. If any asset class (equity or fixed income) within the Portfolio is +/-5 percentage points from its target weighting, the Portfolio will be rebalanced.

   b. If any fund within the Portfolio has increased or decreased by greater than 20% of its target weighting, the fund will be rebalanced.

(iii) The Committee may provide a rebalancing recommendation at any time.

(iv) The Committee shall evaluate deviation from these ranges and to report on such deviations to the Board of Trustees on a bi-annual basis (June and December).

(e) Other investment policies

Unless expressly authorized by the Board of Trustees, the Committee and any party to whom the Committee delegates authority is prohibited from the following actions with regard to the Portfolio:

(i) Purchasing securities on margin or executing short sales.

(ii) Pledging or hypothecating securities, except for loans of securities that are fully collateralized.

(iii) Purchasing or selling derivative securities for speculation or leverage.

(iv) Engaging in investment strategies that have the potential to amplify or distort the risk of loss beyond a level that is reasonably expected, given the objectives of the School.

V. Monitoring portfolio investments and performance

The Committee will monitor the Portfolio's investment performance against the Portfolio's stated investment objectives. At a frequency to be decided by the Committee it will formally assess the Portfolio and the performance of its underlying investments as follows:

(i) The Portfolio's composite investment performance (net of fees) will be judged against the following standards:

   a. The Portfolio's absolute long-term real return objective.

   b. A composite benchmark consisting of the following unmanaged market indexes weighted according to the expected target asset allocations stipulated by the Portfolio's investment guidelines.

      i. U.S. Equity: Wilshire 5000 Total Market Index

      ii. Non-U.S. Equity: MSCI EAFE +EM Index

      iii. Investment Grade Fixed Income: Barclays Capital U.S. Aggregate Bond Index

      iv. Non-Investment Grade Fixed Income: Barclays Capital U.S. Corporate High Yield Bond Index

      v. Cash: Citigroup 3-Month T-Bill Index

(ii) The performance of professional investment managers hired on behalf of the Portfolio will be judged against the following standards:

   a. A market-based index appropriately selected or tailored to the manager's agreed-upon investment objective and the normal investment characteristics of the manager's portfolio.

   b. The performance of other investment managers having similar investment objectives.

(iii) In keeping with the School's overall long-term financial objective, the Committee will evaluate Portfolio and manager performance over a suitably long-term investment horizon, generally across full market cycles or, at a minimum, on a rolling five-year basis.

(iv) Investment reports shall be provided by the investment manager(s) on a (calendar) quarterly basis or as more frequently requested by the Committee. Each investment manager is expected to be available to meet with the Investment Committee once per year to review portfolio structure, strategy, and investment performance.