CLARK ATLANTA UNIVERSITY

Policy: Endowment Investment Policy

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<tr><td>POLICY</td><td colspan="3">Subject: CAU Endowment Investment</td></tr>
<tr><td rowspan="3">Board of Trustees:</td><td>Review Date:
09/07/10
10/04/10</td><td colspan="2" rowspan="3">Issued By:

Board of Trustees Audit, Finance and Investment Committees</td></tr>
<tr><td>Effective Date:
10/11/10</td></tr>
<tr><td>Revised Date:</td></tr>
<tr><td>Distribution:</td><td colspan="2">Required Approval:

Board of Trustees – Chair of Investment Committee</td><td>No. of Pages:

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1.0 PHILOSOPHY AND PURPOSE

The philosophy of Clark Atlanta University's (the "University") Endowment is to preserve and protect the corpus while providing a sustainable flow of funds to support the mission of the University. Developed over time through the generous gifts of the University's supporters, the Endowment provides a reliable source of funds through return on investment and Endowment growth in order to benefit the University. The Endowment is the property of the University and is held for the University's exclusive use, benefit and purpose.

The Endowment of Clark Atlanta University is an endowment fund with disciplined investment objectives and management strategies designed to facilitate total return (yield plus capital appreciation) necessary to primarily preserve and secondarily enhance (in real dollar terms) the principal of the endowment fund while providing a dependable source of income for current operations.

The Endowment is managed within rules and regulations set forth in Federal and state law, in particularly the Uniform Prudent Management of Institutional Funds Act (UPMIFA). UPMIFA was made law in Georgia effective July 1, 2008. Georgia's UPMIFA prescribes new guidelines for expenditure of donor-restricted endowment funds (in absence of overriding, explicit donor stipulations). UPMIFA focuses on the entirety of a donor-restricted endowment fund, both the original gift and the net appreciation. UPMIFA eliminates the historic dollar threshold below which a fund may not be reduced and clearly states it is the fiduciaries' main responsibility to ensure the duration and preservation of the endowment fund.

In accordance with UPMIFA Clark Atlanta University uses the following criteria to determine whether to appropriate or accumulate funds

- Duration and preservation of the fund
- Purposes of the University and donor funds
- Changes in general market/economic conditions
- Possible effects of inflation or deflation
- Tax consequences
- Role of each investment in relation to overall investment portfolio
- Expected total return
- Other resources of the University
- Needs of the University to make distributions and preserve capital
- Relationship of an asset to the charitable purpose of the University

The Board's definitions of endowment terms are as follows:

Corpus – the corpus is that part of the Endowment Fund which represents the original donation value at the time the gift was made. Total corpus value is the total of all donations made in the past, minus any corpus expenditures that were previously authorized.

Permanent Endowment – the donor specifies that the principal is to be invested and maintained in perpetuity and that only a portion of the income may be expended in accordance with the endowment agreement.

Term Endowment – the donor specifies that the principal is to be invested and maintained for a specific period of time. After the stated period of time or occurrence of a specified event, all or part of the principal may be expended in accordance with the endowment agreement.

Quasi Endowment – funds which the governing board of an institution, rather than the donor, has determined are to be retained and invested.

2.0 SOCIALLY RESPONSIBLE INVESTING GUIDELINES

The Board also recognizes its role as a "socially responsible" investor. While the primary purpose of the Board is to ensure the preservation of the endowment fund, the Board wishes to prohibit investments in certain firms and shall review on a regular basis the list of companies in the portfolio.

The Investment Committee and the Board of Trustees will implement socially responsible guidelines and will be responsible for communicating those restrictions to the Investment Managers. Absent any communications from the Board of Trustees, Investment Managers would not have any investment restrictions placed upon them.

Ethical Issues and Restrictions

This investment policy statement is based on two fundamental and interdependent principles:

Principle 1: The University shall exercise responsible financial stewardship over its economic resources.

Principle 2: The University shall exercise ethical and social stewardship in its investment policy. Socially responsible investment involves investment strategies based on ethical principles. These strategies are based on the moral demands posed by the virtues of prudence and justice. As such, the Board may wish to prohibit investments in certain firms and shall review on a periodic basis the list of companies in the portfolio.

3.0 ROLES AND RESPONSIBILITIES

3.1 Board of Trustees

The Board of Trustees has the responsibility to define and implement the investment objectives and policies for the Endowment. The Board also has the responsibility to make changes in investment policy and to implement approved policy, guidelines and objectives. Other responsibilities include but are not limited to:

1. Establishing a long-term strategic and asset allocation policy for the University;

2. Monitoring and evaluating investment manager performance and adherence to policy guidelines, and the performance of the University as a whole;

3. Selecting or terminating investment managers, consultants and the custodian for the University's assets;

4. Monitoring and controlling the costs of administering and managing the portfolio; and

5. Establishing a due diligence process and conducting site visits as necessary.

3.2 Investment Committee of the Board of Trustees

Investment Committee members are fiduciaries and are selected, appointed or removed by the Board. As a fiduciary, members are not held accountable for less than desirable outcomes but instead for procedural prudence, or the process by which decisions are made in respect to endowment assets. The responsibilities delegated by the Board to the Investment Committee for the oversight of Endowment assets include but are not limited to:

1. Assisting the Board in maintaining compliance with Federal and state laws and regulations, e.g. the Uniform Prudent Management of Institutional Funds Act (UPMIFA).

2. Keeping the Board informed of any significant events that may impact the Endowment and recommend changes in approved policy, guidelines, and objectives.

3. Selecting qualified investment managers and consultants to manage and advise on the Fund's assets.

4. Monitoring and reviewing the investment performance of the Fund to determine achievement of goals and compliance with policy guidelines.

5. Monitoring and evaluating manager performance.

6. Conducting due diligence when a manager fails to meet a standard to determine an appropriate course of action (i.e., "Do Nothing", Watch List, or Termination).

7. When necessary, conduct manager searches utilizing established due diligence procedures.

8. When necessary utilize the services of consultants to assist in fulfilling its responsibilities. Consultants are responsible to provide independent and unbiased information.

3.3 Investment Managers' Responsibilities

1. To manage the Plan's assets under its supervision, with discretion and the expectation that funds will be invested with care, skill, prudence and diligence and in accordance with the guidelines and objectives contained in this Investment Policy Statement.

2. To exercise investment discretion in regard to buying, managing, and selling assets held in the portfolio, subject to any limitations contained in this Investment Policy Statement.

3. To promptly vote all proxies and related actions in a manner consistent with the long-term interest and objectives of the Plan as described in this Investment Policy Statement. Each investment manager shall keep detailed records of said voting of proxies and related actions and will comply with all regulatory obligations related thereto.

4. To communicate with the Investment Committee of the Board of Trustees, via the Investment Consultant and CFO, in writing regarding all significant changes pertaining to the portfolio it manages or the firm itself. Changes in ownership, organizational structure, financial condition, and professional staff are examples of changes to the firm in which the Board is interested.

5. To acknowledge and agree in writing as to their fiduciary responsibility to fully comply with the entire Investment Policy Statement set forth herein and as modified in the future.

6. To report to the Investment Committee quarterly regarding the status of the portfolio and its performance for various time periods. Meet with the Investment Committee at least annually to report on their performance and compliance with goals and objectives.

3.4 Vice President of Finance and Business Services

1. Keeping the Board informed of any significant events that impact the Endowment and may recommend changes in approved policy, guidelines and objectives;

2. The day-to-day oversight of the operations;

3. Acting as the primary contact between the Board, and the Investment Committee the investment managers, investment consultants, auditors, custodian, and any other parties involved in the management of the Endowment's assets.

3.5 Investment Consultant

The Investment consultant shall act solely in the best interest of the Endowment. Final decision making authority and responsibility, however, resides with the Board. The investment consultant retained by the Board will serve as a co-fiduciary with all the attendant duties and responsibilities and shall have the following responsibilities to the Endowment:

1. To assist the Investment Committee in strategic planning for the Endowment. This includes providing assistance in developing an investment policy, asset allocation strategy, and investment management structure;

2. To provide to the Investment Committee quarterly performance measurement reports on each of the investment managers and on the Endowment as a whole and to assist the Board in interpreting the results;

3. To include in its quarterly reports information on the investment managers compliance with the University's investment objectives, policies, procedures and guidelines from a performance perspective.

4. To act as a liaison between investment managers and the Investment Committee and thereby facilitate the communication of important information in the management of the Endowment;

5. Shall acknowledge in writing that they are a co-fiduciary of the Endowment with all attendant duties and responsibilities; and

6. Such other duties as may be mutually agreed upon.

3.6 Custodian

The responsibilities of the custodian of the Endowment include but are not limited to the following:

1. To hold securities and other investments in the name of the Endowment or in the name of the nominee custodian or in bearer form;

2. To collect and receive income, interest, proceeds of sale, maturities, investments, deposit of all receipts in a custodial or checking account and reinvest these receipts as directed by the Board with signatory authority given to the CFO;

3. To make disbursements and transfers as directed by the Board;

4. To maintain accounting records and assist in preparation of reports required by the Board;

5. To settle purchases and sales and engage in other transactions including free receipts and deliveries, exchanges and other voluntary corporate actions, with respect to securities or other property received by the Custodian;

6. To perform other services for the Board as are customary and appropriate for custodians.

4.0 INVESTMENT PHILOSOPHY

The following statements reflect the Investment Committee's understanding of capital market risk as well as measures adopted to control undue portfolio volatility:

- The Committee recognizes that the primary fiduciary obligation regarding the endowment is the "duration and preservation of the endowment fund."

- The Committee's secondary objective is to maximize the inflation-adjusted principal value of the endowment to meet current and future spending requirements.

- The Committee will consider investments appropriate for the endowment based on thorough research and consultation with investment consultants and other outside professionals. Assets of the endowment are to be diversified to protect against large investment losses and to reduce the probability of excessive performance volatility.

- Diversification of assets is to be achieved by:

- Allocating monies to various asset classes and investment styles within asset classes, and
- Retaining investment management firm(s) with complementary investment philosophies, styles and approaches.

- Asset allocation will be structured after consultation with the investment consultants and other outside professionals to minimize downside volatility while maximizing return at an acceptable risk level.

- A reasonable time horizon for evaluating total endowment investment performance shall be long-term (five-to-ten years). Time frames for evaluating the performance of investment managers should approximate a market cycle (about three-to-five years). Significant changes in a manager's business organization should trigger immediate review.

5.0 INVESTMENT OBJECTIVES AND GUIDELINES

The basic objective of the endowment investment is to achieve an average annual total real rate of return 5% plus inflation measured over a five-year market period and at the same time outperform a total fund composite of market indices weighted at the agreed upon asset allocation for the endowment.

The asset mix of the endowment fund is to range within the following limits:

ASSET CLASS	TARGET	RANGE
Cash	5%	0 to 5%
Large Capitalization Domestic Equity	20%	+/- 5%
Mid Capitalization Domestic Equity	10%	+/- 5%
Small Capitalization Domestic Equity	10%	+/- 5%
International Equity	15%	+/- 5%
Bonds	25%	+/- 5%
Alternatives	15%	+/- 3%

This asset mix offers the optimal mix for meeting longer term goals. The asset classes stated above shall be further diversified (where possible) as to style and investment manager type to reduce risk further, while providing the opportunity for enhanced return.

6.0 REBALANCING OF ASSET ALLOCATION GUIDELINES

The Investment Committee recognizes that from time to time the asset mix will deviate from the targeted percentages due to market conditions. A range has been established for each asset class to control risk and maximize the effectiveness of the Endowment's asset allocation strategy, while avoiding unnecessary turnover at the security level.

The percentage allocation to each asset class on a market value basis should be reviewed by the Investment Committee quarterly. When an asset class is outside of its allowable range, a reallocation should be made to rebalance that asset class back to the target allocation. It is expected that rebalancing will occur semi-annually but rebalancing frequency may change due to market conditions. To achieve rebalancing, the Investment Committee Chairperson, in consultation with the investment consultant, will direct, in writing, contributions to and disbursements from individual investment managers. Where transfers between accounts are required, the appropriate investment managers will be notified, in writing, in advance by the Investment Committee Chairperson.

Where possible, cash flow to or from the endowment fund should be used to rebalance back to the targeted percentage as much as possible, since this avoids unnecessary turnover of securities.

7.0 ASSET CLASS DEFINITIONS

The investment vehicles utilized in the asset classes employed in this policy are summarized in the definitions below. These definitions are intended as general descriptions and are subject to each manager's specific detailed mandate.

Cash Equivalents: Liquid, fixed-income instruments with term to maturity of one year or less, including, but not limited to: Treasury bills; certificates of deposit, banker's acceptances and repurchase agreements with major money center banks that are members of the Federal Reserve Endowment and insured by FDIC; provided the issuer has total capital and unrestricted surplus of at least $100 million; commercial paper rated A-1 by Standard & Poor's, P-1 by Moody's, or equivalent by two or more of the major credit rating services; and collective short-term investment funds that hold instruments generally equivalent to those described above.

Fixed Income Securities: U.S. dollar-denominated bonds, asset-backed instruments, Yankee and Eurodollar Bonds, zero coupon bonds, and most notes including floating rate notes etc., generally with term to maturity up to 30 years. Bonds rated lower than BBB by Standard & Poor's, Fitch or Moody's for corporates should be limited to10% of the manager's portfolio.

Domestic Equities: Common and preferred stocks of companies traded on U.S. exchanges and over the counter. This asset class may also include American Depository Receipts (ADR's) and securities convertible into common stocks, if so authorized by the Committee in an equity manager's mandate. Large cap stocks are generally those with a market capitalization (i.e., market value of the total shares outstanding) within the range of the market capitalization of the stocks in the S&P 500 Index. Mid/small cap stocks are generally those with a market capitalization in the range of those comprising the Russell 2500 Index and Russell 2000 Index. Investments in equity (or debt issued) of smaller or emerging companies may be made within the overall guidelines expressed in this statement. These investments (as distinguished from gifts made to the institution) may not be in letter stock unregistered or privately placed securities without prior approval of the Investment Committee or its designee(s).

International Equities: Common and preferred stocks of companies domiciled outside the U.S. and traded on foreign or U.S. exchanges. This asset class includes larger well-capitalized stocks from the developed countries such as those represented in the MSCI EAFE Index.

Alternative Investments: The fund may allocate a portion of its investment portfolio to Alternative Investments. The Board' participation in these investments will be through the use of commingled funds and limited partnerships. The alternative portfolio will be diversified and will be comprised of investments that have a low correlation to the equity component of the overall portfolio. Venture capital investments may be made up to 10% of the aggregate portfolio market value, with individual investment or investment programs strategies subject to prior approval of the Investment Committee or its designee(s).

8.0 INVESTMENT MANAGEMENT

The Investment Committee may employ competent, external, professional managers whose business is the management of money and to invest all or any portion of the Endowment's assets. This limits firms having a multiplicity of interests such as brokerage outlets, insurance companies, commercial banks, etc. unless there is a dramatic balancing benefit for the Endowment. The Investment Committee may make investment manager changes from time to time as it deems in the best interest of the Endowment. To be considered for appointment, an investment management firm (or its investment personnel) must have a competitive record of performance generally over five years, relevant experience and expertise, low turnover of key investment personnel and capacity to undertake the management of a designated portion of Endowment's assets.

A specific mandate for each investment manager, including degree of discretion, "normal" portfolio structure, maximum cash reserve level, quality and diversification guidelines, and performance standards, will be agreed in writing between the Board and investment manager at the time of appointment. The Board and investment manager may modify the mandate as appropriate from time to time.

The Investment Committee normally will grant full discretion of investments to the investment managers within their mandates regarding the selection of securities and timing of transactions.

The Investment Committee may retain a consultant to monitor and interpret investment performance, and compliance with University investment objectives and policies, of each investment manager on a periodic basis. The Investment Committee may also meet periodically with each investment manager, at which time performance may be reviewed relative to standards incorporated in the investment manager's mandate.

8.1 Investment Manager Proxy Voting Guidelines

The Investment Committee shall delegate responsibility for the exercise of ownership rights through proxy voting to the investment managers, who shall exercise this responsibility strictly for the economic benefit of the Endowment. Investment managers may be required to report to the Board standing policies with respect to proxy voting, including any changes that have occurred in those policies. Additionally, investment managers may be required to provide a written annual report of the proxy votes for all shares of stock in companies held on the Endowment's behalf. Reports shall specifically note any instances where proxies were not voted in accordance with standing policy.

8.2 Monitoring

The Investment Committee requires a continual awareness of each investment manager's activity and position, both on an absolute and relative basis. To accomplish this, the following should be met:

Monthly (Chief Financial Officer)

Summary transactions registers and asset valuation provided by the custodian.

Flash reports provided by the investment consultant.

Quarterly (Investment Committee and Consultant)

Summary transaction registers and asset valuations provided by the custodian.

Written report from each investment manager in sufficient detail so that the Board is apprised of current status and any changes in philosophy or investment strategy.

Reports should be provided no later than six week after the close of a calendar quarter.

Investment Committee of the Board of Trustees shall typically meet within two weeks after receiving the quarterly reports.

Annually (Investment Committee and Consultant)

Meetings with each investment manager to discuss performance results, economic environment, investment strategy, organizational changes and other pertinent matters.

Other Time Frames (Investment Committee and Consultant)

Timely telephone, e-mail and/or letter from the investment manager when information of an important nature, such as unusual market activity (oil embargo, monetary crisis, etc.) is causing or may cause material impact on the portfolio.

9.0 EVALUATION PROCEDURES

The Investment Committee may direct that time-weighted rate of return measurements be made periodically, for the Fund as a whole and for each separately managed component thereof.

The Investment Committee will evaluate each investment manager against a specific, quantified objective. It will negotiate a mandate with each investment manager. The mandate will include clear short-term and long-term performance criteria and other provisions as necessary to fully describe the role and expectations for the account.

Generally, the following performance benchmarks will be used for evaluating asset class performance. Investment managers will also be evaluated relative to different investment management databases that are appropriate to their investment style and risk. It is expected that active investment managers will outperform their benchmarks over a market cycle (5 years). However, the Investment Committee may initiate a change in investment managers at any time based upon performance results, a change in investment needs, deviation from University investment objectives or policies, or a lack of confidence based upon the evaluation of the investment manager's results:

Asset Class	**Benchmark**
Cash Equivalents	90-Day U.S. Treasury Bills
Fixed Income Securities	Barclays Capital Aggregate Bond Index Barclays Capital Intermediate Government/Corporate Index
Domestic Equities	
Large Cap	S&P 500 Index, Russell 1000, Russell 1000 Growth, Russell 1000 Value
Mid/Small Cap	Russell Mid Cap, Russell 2500, or Russell 2000 as appropriate
International Equities	MSCI EAFE

Hedge Funds	90-Day U.S. Treasury Bill + 5%
Private Equities	90-Day U.S. Treasury Bill + 5%

When results fall below the median in any one calendar year, the manager will be cautiously viewed, unless unusual circumstances precipitated such results.

10.0 EVALUATION AND REVIEW

Probation

The Investment Committee will follow its time horizons, as set forth in this policy, when making judgments about indications of inferior performance. However, investment managers for the fund should be advised that the Investment Committee intends to track the interim progress toward multi-year goals. If there is a clear indication that performance is so substandard that reasonable hope of recovery to the investment manager's policy performance goals would require either high risk or good fortune, then the Investment Committee will not feel constrained by this policy to avoid an "early" decision to take corrective action. In addition to the items stated above any major organizational change that could warrant a review of the investment manager's relationship with the fund would include: 1) Change in investment professionals, 2) Significant account losses, 3) Involvement in material litigation, fraud, or SEC violation, and 4) Change in ownership.

THE INVESTMENT COMMITTEE CHAIRPERSON WILL NOTIFY FIRMS PLACED ON PROBATION IN WRITING.

ALL PROBATION CRITIERIA WILL BE CRITICALLY EVALUATED AFTER 4 QUARTERS (1 YEAR) OF INVESTMENT MANAGER PERFORMANCE IS AVAILABLE FOR ANALYSIS.

Phase One

Any investment manager that fails to meet the Fund's investment criteria relative to its peers (top 50% of relative peer universe) for three consecutive quarters during any time period after four quarters (1 year) of performance measurement has been attained will be placed on probation. The consultant will measure the universe of investment managers for peer group evaluation.

Critical evaluation for probation status versus the benchmark shall begin after four quarters (1 year) of performance has been attained. The firms on probation will be subject to:

- Intense scrutiny of their investment process and philosophy.

- A requirement to explain their substandard performance to the satisfaction of the Board and its Staff. This must be submitted in writing to each trustee within 30 days of probation notification.

- Manager will be required to bring performance up to stated investment objectives for three consecutive additional quarters in order to be removed from probation, without modifying their stated investment style.

<u>Phase Two</u>

If performance does not improve during phase one of the probation period, the Investment Committee will take action towards termination.

Failure to comply with the conditions of probationary status will be grounds for notice of termination. For those investment managers who have achieved 3 or more years of performance the following factors may lead to termination or placing the investment manager on probation:

1. Performance below the median (50^{th} percentile) of their peer group over rolling three-year periods.

2. Performance below the median (50^{th} percentile) of their peer group over a five year period.

3. Realization of negative incremental value added to portfolio returns for three and five year periods.

11.0 POLICY REVIEW

The Investment Committee may review this Investment Policy Statement at any time and for any reason but will typically review annually.

The Investment Committee will use each of their periodic investment performance evaluations as occasions to also consider whether any elements of the existing policy are either insufficient or inappropriate. Key occurrences which could result in a policy modification include:

(a) significant changes in expected patterns of the Endowment's spending

(b) impractical time horizons

(c) convincing arguments for changes presented by investment managers

(d) areas found to be important, but not covered by policy
long-term changes in market trends and patterns that are materially different from those used to set the policy

(e) Rebalancing of total portfolio

12.0 INVESTMENT MANAGER GUIDELINES

Large, Mid and Small Capitalization Equity Managers

General Guidelines:

1. Equity holdings in any one company shall not exceed 7% of market value of the manager's portion of the Endowment's portfolio without the consent of the Investment Committee. Bonds of the companies in question would be included in the company exposure calculation if held in the investment manager's portfolio.

2. Equity holdings in any one industry should not exceed 20% of the market value of the manager's portion of the Endowment's portfolio. Equity holdings in any one sector (e.g., energy, technology, etc.) shall be limited to a sector weighting in a range of 70% to 130% of the weighting in the benchmark. For sectors that represent less than 3% of the benchmark, we will allow the investment managers to use their discretion.

3. Short selling, securities lending, options trading, use of financial futures or other specialized investment activities without the prior approval of the Investment Committee is prohibited.

4. Purchasing on margin or any other form of leverage is prohibited.

5. May invest up to 5% in cash and equivalents.

6. Investment managers shall be delegated the responsibility for voting proxy issues on securities held. All proxies shall be voted exclusively for the best interest of the Endowment and within guidelines contained in this Investment Policy Statement and Investment Management Agreement. Investment managers will keep a proper record of all proxies to which the pension plan is entitled, including a brief description of the reason for each.

7. Each investment manager shall attempt to minimize uninvested cash balances. All investment managers will be evaluated against their peers on the performance of the total funds under their direct management.

Small Capitalization Equity Managers

In addition to the guidelines above, small cap equity investment managers may invest up to 10% in cash and equivalents without prior approval of the Investment Committee. Small cap equity investment managers shall also limit the exposure to initial public offerings to 5% of the portfolio under management.

Standards of Performance

The investment manager is expected to meet the following performance standards:

1. A return that averages in the top 50% of results from a comparable manager universe over a market cycle.

2. A risk-adjusted return for the fund that is better than a comparable index fund.

3. The period for investment evaluation will be three to five years and will normally include a market cycle unless the investment manager's interim results are significantly below expectations.

Hedge Fund Managers

The investment manager's objective is to achieve an attractive level of returns while controlling volatility by investing its capital in a multi-strategy diversified portfolio composed principally of hedge funds and also of managed accounts. Investments selected by the investment manager will utilize various strategies, including primarily absolute return strategies (event-drive, relative value, credit-oriented and other arbitrage strategies) and hedged equity strategies, and to a lesser extent, directional equity strategies. The Fund may also invest with multi-strategy portfolio managers who use a variety of investment strategies in their investment program. Overall, the Fund seeks to construct a portfolio with low correlation to the broad public equity and fixed income markets.

The investment manager shall not invest directly in any uncovered options or derivatives or short sale of uncovered positions in violation of Section 16(c) of the Securities Exchange Act of 1934, as amended. Subject to the foregoing, the investment manager may enter into hedging transactions relating to the portfolio's assets, including with respect to any foreign currency or interest rate exposure of the portfolio.

Restrictions

Without the consent of the Investment Committee, the investment manager will not: (a) invest more than 15% of its aggregate capital commitments in any underlying Fund (including bridge financing and guarantees); (b) invest directly in real estate or oil and gas limited partnerships; (c) invest in a passive investment vehicle managed by a third-party except to participate in individual investments that are not funds of funds and that are customarily structured in such fashion or (e) directly acquire any publicly-traded securities for passive investment purposes.

The above investment guidelines shall be subject to the good faith interpretation of the investment manager.

Standards of Performance

The investment manager is expected to meet the following performance standards:

1. Total portfolio return must be in excess of the Citigroup 3 month T-bill rate net of manager fees by 500 basis points per annum over a market cycle (3-5 years).

2. Total portfolio return should average in the top 40% of results from a comparable manager universe on an annual basis and over cumulative periods.

3. The period for investment evaluation will be three to five years and will normally include a market cycle unless the investment manager's interim results are significantly below expectations.

Reporting

The investment manager will provide the following unaudited monthly reports as indicated below, as well as an annual audited financial statement:

1. Portfolio appraisal as indicated above

2. The recent month's investment manager hiring's and terminations

3. The monthly return of the portfolio

The investment manager is expected to fulfill the reporting requirements that are received separately from the performance measurement staff of the Board's custodian.

Private Equity Managers

The investment manager's objective is to achieve an attractive level of returns while controlling volatility by investing its capital in a multi-strategy diversified portfolio composed principally of hedge funds and also of managed accounts. Investments selected by the investment manager will utilize various strategies, including primarily absolute return strategies (event-drive, relative value, credit-oriented and other arbitrage strategies) and hedged equity strategies, and to a lesser extent, directional equity strategies. The Fund may also invest with multi-strategy portfolio managers who use a variety of investment strategies in their investment program. Overall, the Fund seeks to construct a portfolio with low correlation to the broad public equity and fixed income markets.

The investment manager shall not invest directly in any uncovered options or derivatives or short sale of uncovered positions in violation of Section 16(c) of the Securities Exchange Act of 1934, as amended. Subject to the foregoing, the investment manager may enter into hedging transactions relating to the portfolio's assets, including with respect to any foreign currency or interest rate exposure of the portfolio.

Restrictions

Without the consent of the Investment Committee, the investment manager will not: (a) invest more than 15% of its aggregate capital commitments in any Portfolio Company (including bridge financing and guarantees); (b) invest in any Portfolio Company domiciled outside the U.S. and Canada; (c) invest directly in real estate or in oil and gas properties; (d) invest in a passive investment vehicle managed by a third-party except to participate in individual investments that are not funds of funds and that are customarily structured in such fashion or (e) acquire any publicly-traded securities for passive investment purposes.

Unless otherwise approved by the Investment Committee, if a bridge financing shall remain outstanding for a period in excess of 12 months, it shall be deemed to constitute a Portfolio Investment.

The above investment guidelines shall be subject to the good faith interpretation of the investment manager.

Standards of Performance

The investment manager is expected to meet the following performance standards:

1. Total portfolio return must be in excess of the Citigroup 3 month T-bill rate net of manager fees by 500 basis points per annum over a market cycle (3-5 years).

2. Total portfolio return should average in the top 40% of results from a comparable manager universe on an annual basis and over cumulative periods.

3. The period for investment evaluation will be three to five years and will normally include a market cycle unless the investment manager's interim results are significantly below expectations.

Reporting

The investment manager will provide the following quarterly reports, as well as an audited annual report:

1. Portfolio appraisal as indicated above

2. The recent quarter's purchase and sales

3. The quarterly return of the portfolio

The investment manager is expected to fulfill the reporting requirements that are received separately from the performance measurement staff of the Board's custodian.

Non-U.S. Equity Managers

The Investment Committee has chosen to invest a portion of the Fund's assets in international and emerging markets equity investments to lower overall risk and increase opportunities. Commingled funds have been chosen as the vehicles and these managers will be guided by their respective trust documents. The investment objective of this portfolio is to capture the returns from the non-US equity market. The investment manager should adhere to the following general guidelines:

- To remain fully invested with cash positions held to a minimum. It is not expected that cash should exceed 10% over a 90 day period. Any deviations from this policy above 10% should be communicated to the Investment Committee in writing.

- To meet or exceed the performance standards set forth below.

- The investment manager should notify the Investment Committee of circumstances occurring which will cause a review of this policy and any necessary modifications.

- The investment manager should be prepared for periodic withdrawals to meet the asset allocation policy of the Endowment. Such withdrawals are relatively immaterial and will be communicated to the manager in writing by the Endowment's staff.

- The investment manager is expected to notify the Investment Committee of any changes to the portfolio management team and any changes to the ownership structure of the investment manager's organization.

- At the time of purchase, no more than 5% of the equity securities of a single issuer may be owned.

- No security should be more than 5% of the total portfolio at market.

- Investment manager has full discretion subject to the guidelines contained in this Investment Policy Statement.

- Investment Manager is limited to investing only 15% of the total portfolio in countries outside of the MSCI EAFE Index.

- Investment manager is expected to vote all proxies in accordance with policies to protect the financial interest of the endowment and should report annually the results of such voting.

<u>Standards of Performance</u>

The investment manager is expected to meet the following performance standards:

1. Total portfolio return should average in the top 50% of results from a comparable manager universe over a market cycle.

2. A reward/risk ratio for the fund (return divided by standard deviation) that exceeds that of a comparable manager universe and the benchmark index.

3. The period for investment evaluation will be three to five years and will normally include a market cycle unless the investment manager's interim results are significantly below expectations.

Eligible Securities

1. Common stocks of publicly traded companies listed on a national exchange, issued by non-U.S. corporations, although the investment manager has latitude to hold U.S. securities provided that such investments are consistent with attainment of the portfolio's investment objective.

2. Warrants and other rights of ownership if such emanated from the ownership of the common stock.

Reporting

The investment manager will provide monthly reports to the Chief Financial Officer and investment consultant and quarterly reports to the Investment Committee, Chief Financial Officer, and investment consultant indicating the following:

1. The value of the portfolio at both cost and market including accrued income such values should be reported in both local currency and US dollars.

2. A listing of the individual security holdings at both cost and market and such values should be reported in both local currency and US dollars.

3. The monthly return of the portfolio to include an attribution analysis separating the currency return from the security return. Such attribution analysis can be done on a quarterly basis.

4. A detailed description of the currency position of the portfolio.

5. The investment manager shall comply with informational requests received from the Board and/or investment consultant with respect to such consultant's duties for the Board.

Fixed Income Manager

The purpose of this statement is to establish a clear understanding between the fixed income investment manager and the Board regarding the investment policies and objectives of the assets assigned to them for management. This statement will outline an overall philosophy that is specific enough for the investment manager to know what is expected, but sufficiently flexible to allow for changing economic conditions and securities markets. The policy will provide risk policies to guide the investment manager 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 the investment manager, and will continue procedures for policy and performance review.

Investments will be made for the sole interest and exclusive purpose of providing returns for the Endowment. The investment manager is directed to make reasonable efforts to preserve the principal of funds provided to them, but preservation of principal shall not be imposed on each individual investment. The Investment Committee understands that the dual goals of preservation of principal and capital appreciation will cause fluctuations in the total value of the Fund. The fixed income investment manager will be responsible for the fixed income portion of the portfolio for the Endowment and will have investment discretion subject to limitations appearing herein:

General Guidelines and Eligible Securities

- Bonds held in each portfolio should have a Moody's, Standard & Poor's and Fitch with a quality rating of no less than investment grade from two of these rating services. (For an issue that is split-rated, the lowest quality designation will govern). Unrated securities of the United States Treasury and government agencies are qualified for inclusion in the portfolio. Short term fixed income securities should be limited to the top two quality categories

- Bonds that trade on the Yankee Bond Market may be held in the portfolio and should have a Moody's, Standard and Poor's and Fitch quality rating of no less than A from each of these rating services. (For an issue that is split-rated, the lowest quality designation will govern).

- The diversification of securities by maturity, quality, sector, coupon and geography is the responsibility of the manager.

- The exposure of each manager's portfolio to the securities of any one corporation should be limited to not more than 5% of the manager's portion of the Endowment portfolio measured at market value. Securities backed by the full faith and credit of the United States Government or any of its instrumentality's shall not be subject to exposure limitations.

- Bonds eligible for purchase should be readily marketable issues of the U.S. government and its agencies, U.S. government guaranteed issues, and U.S. corporations. The bonds should have significant trading volume in relation to issues outstanding and have a continuous market.

- Derivative instruments that are standardized, and actively traded on an exchange, as well as mortgage related securities are permissible, but only to the extent they are used with adequate diversification and as part of a total portfolio strategy that is non-speculative.

- Margin purchases or any other form of leverage is prohibited.
- There shall be no use of options, financial futures or other specialized activity without the prior approval of the Investment Committee.

- Not more than 5% of an investment manager's portfolio, valued at market, shall be invested in the long-term bank certificates of deposit of a single issuer.

- Although it is the Investment Committee's desire that the fixed income investment managers remain as fully invested at all times as is prudently possible, fixed income managers may invest up to 3% of Endowment assets under their respective management in cash and equivalents that is not a result of a portfolio investment strategy (i.e. barbell maturity strategy) without prior approval granted by the Investment Committee.

Standards of Performance

The manager's performance will be evaluated versus the following benchmarks:

1. A return that on average exceeds the Barclays Capital U.S. Aggregate Bond Index or the Barclays Capital Gov/Corp. Intermediate Index net of the manager fees.

2. A return that averages in the top 50% of results from a comparable manager universe over a market cycle.

3. A risk-adjusted return that is better than an index fund.

The period for investment evaluation will be three to five years and will normally include a market cycle unless the Manager's interim results are significantly below expectations.

13.0 MANAGER SELECTION PROCEDURES

The Investment Committee, on behalf of the Board, has responsibility for selecting investment managers. The Investment Committee's intent is to follow a process that embodies the principles of procedural due diligence. Accordingly, when selecting investment managers, the Committee will:

- Retain a "prudent expert" (a bank, insurance company, or investment advisor as defined by the Registered Investment Advisers Act of 1940).

- Follow a due-diligence process so as to avoid selecting investment managers on ad-hoc basis. The due diligence process, at a minimum, will involve analyzing investment manager candidates in terms of certain:

- Qualitative Characteristics, such as key personnel, investment philosophy, investment strategy, research orientation, decision-making process, and risk controls.

- AIMR Compliance, investment managers shall be required to be Level I AIMR Compliant, unless justified by investment consultant or staff.

- Quantitative Characteristics, such as composite return data, risk-adjusted rates of return (e.g., Sharpe Ratios), and certain portfolio characteristics, such as R-squared in relation to an appropriate market index.

- Organizational Factors, such as type and size of firm, ownership structure, client-servicing capabilities, record of gaining and keeping clients, and fees.

14.0 SPENDING POLICY

Clark Atlanta University is committed to administering its endowed funds in compliance, without limitation, with all relevant federal and state laws and regulations including the Uniform Prudent Management of Institutional Funds Act as enacted by the State of Georgia Legislature (O.C.G.A. § 44-15-1 (2009)) ("the Act). The Act requires that the University expend its endowment funds in a manner that is prudent for the uses, benefits, purposes and duration for which the endowment was originally established.

The University shall act in good faith, with the care that an ordinarily prudent person in a like position would exercise under similar circumstances in determining amounts to be expended from endowment funds. Factors that are considered include:

- The duration and preservation of the endowment fund
- The University's mission and the purpose of the endowment fund
- General economic conditions
- The possible effect of inflation or deflation
- The expected total return from income and the appreciation of investments
- Other resources of the institution
- The Investment Policy of the University

All expenditures are subject to limitations set forth by the donor in the original gift instrument establishing the endowed fund.

Allocation of Funds for Expenditure

The amount of funds allocated for expenditure for the purpose for which an Endowed Fund was established in a given year will equal 5% of the of the fund's rolling prior 12-quarter average fair market value with a 2-quarter lag (see Appendix A for example). In the event that a 5% expenditure amount would result in an endowment fund balance less than the gift establishing the fund, no amount will be expended from the fund. For new funds, no amount will be expended during the **first full fiscal year** of the fund's existence unless the original gift instrument requires otherwise. For example, earnings from a fund whose original gift instrument was received by the University in March 2010 will not be available for expenditure until fiscal year 2012.

If the value of the University's endowment assets declines or increases by greater than 10% due to securities market conditions in any given year, the Finance and Audit Committee of the University's Board of Trustees will determine whether 5% expenditure is appropriate and may, at its discretion, adjust the percentage of expenditure for the succeeding year. The adjusted amount should be no less than 2% and no greater than 7% of the fair market value of the fund's prior 12-quarter rolling average fair market value. In the event that the adjusted expenditure percentage would result in an endowment fund balance less than the gift establishing the fund, no amount will be expended from the fund.

In anticipation of expenditures to be made based on the allocation above, the University will liquidate (as necessary) portions of its endowment assets equal to the total allocated as follows:

45% on August 15
45% on January 15
10% on June 1

At the end of each fiscal year, the Division of Finance and Business Services will review the total endowment expenditures made during the year. Any amount allocated but not spent will be reinvested in the endowment investment account(s).

15.0 GIFT POLICY

In accordance with the Clark Atlanta University Gift Acceptance Policy it is anticipated that the University on occasion will receive gifts in the form of marketable securities. In such event, the securities will be liquidated or transferred in-kind to an appropriate asset manager as soon as possible and used for the purpose for which the gift was given. If the securities are restricted from sale for a designated period of time the University will hold these securities until the restricted period has elapsed and then liquidate or transfer in-kind the securities as soon as possible thereafter. There will be no attempt by the University to add value by holding gifted securities.

16.0 FEES AND EXPENSES

The Investment Committee will periodically review the costs associated with the Endowment, including the following, and will take steps necessary to ensure that the Endowment does not pay more than a reasonable fee for the quality and quantity of services received:

1. **Asset Management Fees** – All fees and expenses associated with the management of Endowment assets.

2. **Custody of Endowment Assets** – Trustee and other custodial fees and expenses for the collection of contributions and investment income and disbursement or allocation of funds.

3. **Execution Costs** – Costs associated with trading.

4. **Administrative Fees** - Costs to administer the Endowment.

17.0 POLICY REVIEW – AMENDMENT

The Investment Committee shall formally review this Investment Policy Statement as needed, at least annually. The Investment Policy Statement will only be amended if there is a significant change to the Endowment, and should not be amended solely based on current market conditions.

Approved:

Brenda M. Walker
Chairman, Investment Committee

October 11, 2010
Date

ENDOWMENT SPENDING

Sample Fair Market Values

	FY08	FY09	FY10	FY11
Q1	$100	$102	$121	$120
Q2	110	107	120	122
Q3	115	105	118	128
Q4	108	112	115	128

The amount of funds allocated for expenditure for the purpose for which an Endowed Fund was established in a given year will equal 5% of the fund's rolling prior 12-quarter average fair market value with a 2-quarter lag.

In the example above, the amount to be allocated for expenditure in FY12 would be $5.69. This is calculated by taking the average of the end of quarter fair market values for 3rd and 4th quarter of FY08, each quarter in FY09 and FY10 and the 1st and 2nd quarters of FY11 (Average = $113.75) and multiplying by the endowment spending rate (5%). ($113.75 x 5% = $5.69)