THE LEICHTAG FOUNDATION
INVESTMENT POLICY STATEMENT

I. Statement of Purpose

The Leichtag Foundation honors the legacy of Lee and Toni Leichtag through igniting and inspiring vibrant Jewish life, advancing self-sufficiency and stimulating social entrepreneurship in coastal North County and Jerusalem.

The Board of Directors of The Leichtag Foundation has adopted this Investment Policy Statement in recognition of its responsibility to supervise the investment of the Foundation's assets in accordance with the Foundation's objectives. The purpose of this Policy Statement is to set forth in writing: (1) an appropriate set of objectives and goals to be attained through the investment of the Foundation's assets; (2) the position of the Investment Committee with respect to the Foundation's risk/return posture, including allocation of assets, and establishment of investment guidelines; (3) the Foundation's philosophy and policies with regard to its decision to align its investments to support and advance the mission and (4) an overall system of investment policies and practices whereby the continuing financial obligation of the Foundation will be satisfied.

II. Statement of Responsibilities

It is expected that the following parties associated with the Foundation will discharge their respective responsibilities in accordance with normal fiduciary standards; (1) with the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent person acting in like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and of like aims, and (2) by diversifying the investments so as to minimize the risk of large losses. Furthermore, the Board of Directors acknowledges its acceptance and adoption of the CFA Institutes' Investment Management Code of Conduct for Endowments, Foundations and Charitable Organizations.

A. Investment Committee: The Investment Committee, with the assistance of the Investment Consultant, shall be responsible for selecting and monitoring investment managers and assisting in investment activities associated with the Foundation in accordance with commonly accepted standards.

B. Investment Manager(s): The Investment Manager(s) are charged with the responsibility to conduct day-to-day investment management of the Foundation assets in accordance with this Investment Policy Statement and all laws that supersede it. All Investment Manager(s) must either be (1) registered under the Investment Company Act of 1940, (2) a bank, as defined in that Act, (3) an insurance company qualified under the laws of more than one state to perform the services of managing, acquiring or disposing of Foundation assets, or (4) such other person or organization authorized by applicable law or regulation to function as an Investment Manager(s). Each investment manager managing a separate account for the Foundation must sign an investment management agreement with the Foundation.

C. Custodian: The custodian has been retained by the Investment Committee and is charged with the responsibility for safekeeping securities, collections and disbursement, and periodic accounting statements.

D. Investment Consultant: The Investment Consultant has been retained and is charged with the responsibility to assist the Investment Committee in developing ongoing investment policy, assisting in investment manager selection and monitoring services, and as directed by the Investment Committee, assisting the Foundation in conducting investment activities associated with the Foundation in accordance with commonly accepted standards.

III. Statement of Mission Driven Investing

The Board of Directors understands that it cannot accomplish its strategic goals for impact through simply awarding grants. The Investment Committee will seek opportunities to fulfill the mission through strategic investment of the Foundation's assets, evaluating both financial return and mission return, the latter of which is more fully described in this paragraph and elsewhere in this Investment Policy Statement. The Foundation will take a dual approach to evaluate mission return. First, all investments will be screened to the best extent possible to ensure that they comply with the Foundation’s mission, goals and values. This includes making every effort to avoid investing in investment vehicles or countries which deny the right of the State of Israel to exist as a democratic Jewish state, engage in human trafficking, use child labor, harm the environment, threaten human rights, harm human health, engage in discrimination of any kind including based on religion, race, sexual orientation, and gender. Second, the Foundation will proactively seek to expand over time its portfolio of mission-aligned investments, assessing these investments from a risk and financial return perspective in the same way we would evaluate any investment. This will include the acquisition of other assets, including direct investment in real estate especially in Jerusalem and North San Diego County and investing in the private sector in the State of Israel, that advance the goals and mission of the Foundation.

IV. Statement of Spending Policy

The Board determined that the Foundation will have an indeterminate limited life with the corpus significantly depleted to maximize the Leichtag Foundation's impact in the current generation.

V. Investment Objectives

The investment objectives for the Foundation will be for the asset value, exclusive of contributions or withdrawals, to grow over the long run and earn, through a combination of investment income and capital appreciation, a rate of return (time-weighted total return) in excess of the benchmarks established for the medium term (3 years) and long term (5 years).

A The Total Fund return shall exceed (net of fees) a custom Policy Index made up of the following indices and allocations:

Asset Class	Index	Allocation
Large Cap US Equities	S&P 500 Index	23%
Small Cap US Equities	Russell 2000	5%
International Large	MSCI ACWI-ex US	22%
Israel Equity (Private/Public)	MSCI Israel Capped Investable Market Index	5%
Fixed Income (US Core)	Barclays Capital Aggregate	22%
High Yield Fixed Income	BC Corp High Yield	2%
Global Credit	BC Global Aggregate Index	3%
Real Fixed Income	Barclays Capital US TIPS	3%
Private Real Estate	NCREIFODCE	5%
Alternative Investments	HFRI Fund of Funds	8%
Commodities	Bloomberg Commodity	2%
Total		**100%**

B. The Total Fund return is expected to outperform the median fund in a representative foundation and endowment universe.

C. Each portfolio segment and/or Investment Manager is expected to exceed (net of fees) its respective benchmark (listed in Section VIII.A.4) as well as the median in an appropriate peer universe. Passively managed strategies will be expected to achieve their respective benchmark returns within a reasonable tracking error.

VI. Asset Allocation and Rebalancing Procedures

The following allocations of Foundation assets shall serve as the general guidelines for Foundation investments.

Asset Class	Target Allocation	Minimum	Maximum
Large Cap US Equities	23%	20%	27%
Small Cap US Equities	5%	1%	11%
International Large	22%	17%	27%
Israel Equity (Private/Public)	5%	0%	10%
Fixed Income (US & non-US)	27%	20%	30%
Real Fixed Income	3%	0%	10%
Private Real Estate	5%	0%	10%
Alternative Investments: *Hedge Funds of Funds*	8%	5%	15%

Absolute Return Funds			
Commodities	2%	0%	10%
Total	100%		

The asset mix policy and acceptable minimum and maximum ranges established by the Investment Committee represent a long-term view. Rapid and significant market movements may cause the fund's actual asset mix to fall outside the policy range. Any such divergence should be of a short-term structure.

A. Diversification by Asset Class: The Investment Policy Statement provides for an overall long-term strategic allocation. The Investment Committee at least on a semi-annual basis will evaluate the allocation's continued appropriateness, and will engage in an asset allocation study with the assistance of the Consultant as appropriate.

B. Diversification by Style & Manager: The Investment Committee will strive to ensure that the portfolio is adequately diversified across investment styles such as growth and value equities, and further by Investment Manager. With the exception of passive strategies, no Investment Manager should manage more than 25% of the overall Foundation.

C. Rebalancing Procedures: Where possible, the target allocations will be maintained through new cash flows. The portfolio will be reviewed for rebalancing on a quarterly basis, the month prior to the quarter end. The Investment Consultant will determine the necessity of transactions based upon the criteria outlined above. The determination will be reviewed by the Investment Committee chair for reasonableness prior to execution. The Committee may also rebalance the portfolio back to target allocations at its periodic meetings. Illiquid investments shall be rebalanced as often as permissible by the investment manager.

D. Recognition of Outside Assets: Although the target allocations mentioned above primarily cover liquid assets and investments within the main investment portfolio, the Foundation may also hold other assets, particularly real estate, that advance its missions such as the properties owned by the Foundation in Encinitas and Carlsbad, California. The Investment Committee will take into consideration any assets held outside of the investment portfolio, such as but not limited to private real estate holdings, when evaluating and formulating on the long-term strategic asset allocation. Factors such as liquidity, capital appreciation potential, income or expenses, and relative risk of the outside assets may be among the various items considered when constructing an appropriate investment framework for the portfolio.

VII. Investment Guidelines

It is the intention of the Investment Committee to allow each Investment Manager full investment discretion within the scope of these mutually agreed upon investment guidelines. Each investment manager must adhere to the following investment guidelines as well as the specific guidelines in the appendix unless explicitly advised in writing by the Investment Committee.

In certain instances, the Investment Committee may elect to invest in Funds such as (but not limited to) commingled trusts, limited partnerships, mutual funds or exchange-traded funds (ETFs). In these cases, the investment guidelines set forth in the Fund's prospectus, offering memorandum or agreement will govern. The Investment Committee will take care in selecting Funds with guidelines appropriate for the foundation and review them periodically.

VIII. Investment Monitoring and Evaluation

A. Criteria for Evaluation

1. Time Horizon: Each investment manager is expected to earn a return in excess of the appropriate benchmarks established for the medium term (3 years) and long term (5 years) - and in the case of active equity managers - a premium over the benchmark, net of fees.

2. Quantitative Measures: The consultant will provide calculation of time-weighted rates of return, performance benchmarks and other analytical measures conforming to the CFA Institute Global Investment Performance Standards for the overall portfolio and each individual manager.

3. Investment Style: Equity managers are hired on the basis of an investment style, growth or value, within a specified capitalization range. If a manager is found by quantitative measures to have moved into securities that cause the overall weighted portfolio to move into a capitalization area, e.g., large to mid-cap, or into a style, e.g., growth to value, that is not authorized, the manager will be instructed to correct this situation or face termination.

4. Manager performance will be measured against an appropriate style index (net of fees) and our consultant's peer universes. The consultant's quarterly performance report will contain a “Watch List" on which it will "flag” a manager if they fail to meet the following standards or "Rules":

    1. Manager has underperformed the 75^{th} percentile in the appropriate style universe for the one year period
    2. Manager has underperformed the 50^{th} percentile in the appropriate style universe for the three-year period
    3. Manager has underperformed the 50^{th} percentile in the appropriate style universe for the five-year period
    4. Manager has underperformed the index for the five-year period
    5. Fund experiences non-performance related issues including personnel turnover, changes in investment philosophy or drift, excessive asset growth, change in ownership and any other reason that raises concern
    6. (Index Fund Rule Only) Index fund tracking error is greater than 0.25% of the appropriate benchmark over the one year period.

5. The following table depicts the benchmarks and peer universes to be utilized:

Manager Category	Benchmark Index	Peer Universe
Large Cap US Equities	S&P 500 Index	n/a (Passive Manager)
Small Cap US Equities	Russell 2000	Morningstar Small/Mid
International Large	MSCI ACWI ex-US	Morningstar International Equity
Israel Equity	MSCI Israel Capped Investable Market Index[1]	n/a
Core Fixed Income	Barclays Capital Aggregate	Morningstar Fixed Income
High Yield Fixed Income	BC Corp High Yield	Morningstar High Yield
Global Fixed Income	BC Global Aggregate	Morningstar Global Bond
Real Fixed Income	Barclays Capital US TIPS	Morningstar TIPS
Private Real Estate	NCREIF ODCE	n/a
Hedge Fund of Funds	HFRI Fund of Funds	Morningstar HFOF
Commodities	Dow Jones UBS Commodity	Morningstar Commodities Broad Basket

B. Investment Manager Corrective Action

Corrective action should be taken naturally as a result of the ongoing review process for Investment Managers. While there may be unusual occurrences at any time, the following are instances where corrective action may be in order.

1. Any organizational change by the Investment Manager that may materially affect the management process will be noted by the Investment Consultant and discussed with the Investment Committee. If the Investment Committee deems appropriate, the Investment Manager may be called upon to discuss changes.

2. Violation of terms of contract without prior approval of the Investment Committee constitutes grounds for termination.

3. As part of its overall asset allocation strategy, the Investment Committee will select managers with certain styles and approaches to portfolio diversification. Therefore, it is critical that managers adhere to the original intent of the Investment Committee. Should either the Investment Consultant or staff ascertain that significant changes in investment style have occurred, this may be grounds for termination.

4. An investment manager will be placed on probation due to performance results based on the following criteria: If, over a rolling 12-month period, the Investment Manager's

[1] A public benchmark is provided for illustrative purposes only. It is understood that due to the illiquid nature of private equity and the long time horizon required, the use of a public market benchmark is only appropriate over a long time frame and will not be relied upon over short-term periods.

performance ranks in the bottom quartile of the representative investment manager universe and underperforms the appropriate benchmark index. If, over a rolling 3-year period, the Investment Manager's performance ranks below the median of the representative investment manager universe and underperforms the appropriate benchmark index. The probation period shall last 6 months. If, at the end of the probation period, the Investment Manager is still underperforming, the Investment Committee may consider searching for a new Investment Manager.

5. The Investment Committee reserves the right to terminate the relationship with the Investment Manager at any time, regardless of performance.

IX. Procedure for Revisions

The Investment Committee recognizes that capital markets are dynamic and that these Investment Guidelines require periodic examination and revision to serve as a working document to encourage effective investment management. The Guidelines are reviewed and subject to amendment every two years or more often as needed. All such revisions and updates are recommended by the Foundation's Investment Committee and approved by its Board of Directors.