

Ohio LIONS Eye Research Foundation

General Investment Policy

This Investment Policy describes the purposes of Ohio LIONS Eye Research Foundation's investments, investment guidelines, donated asset provisions, provisions for adopting and updating the policy, other provisions and execution of this policy.

Purposes of Investment

The purposes of Ohio LIONS Eye Research Foundation's investments are to earn a return on temporarily available funds and to earn a return greater than inflation on Board-designated Long-term assets. There is a separate investment policy for the Board-designated Long-term assets; intended to be managed by Ohio LIONS Eye Research Foundation's Investment Managers. Therefore, this policy only covers temporarily available funds. Temporary available funds are defined as those funds that are not covered by the Long-term assets investment policy (i.e., Student Fellowship fund and in the R. W. Bryan Diabetic Eye Research fund). In general, temporarily available funds include those to be distributed in the form of eye research grants, funds for operating expenses, and funds collected for the Student Fellowship fund and R. W. Bryan Diabetic Eye Disease fund but not yet transferred to the respective funds.

50% of annual operating expenses should be available on July 1 of each fiscal year to avoid periods of negative cash flow throughout that year. Those funds are defined to be temporarily available funds.

Investment Guidelines

Investments of temporarily available funds are limited to the following approved investments:

Savings Accounts, Checking Accounts, Bank Money Market Accounts and Certificates of Deposit. The amount invested in any one banking or savings institution shall not exceed the \$100,000 federal insurance limit

U.S. Government Securities. These investments have no limit and shall include securities issued by federal agencies backed by the full faith and credit of the U.S. government, including treasury bills, and treasury notes. These investments may be purchased indirectly through a mutual fund exclusively devoted to investment in U.S. Government Securities.

Money Market Securities. Money market securities may comprise no more than 25% of the portfolio. They must have at least \$500 million total capitalization and be rated as A1 or better by Moody's. The amount invested in money market securities shall not exceed SIPC Insurance limits.

Temporarily available funds shall be invested in short-term investments with maturities of one year or less.

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(continued)

Donated Assets

If donations are received in the form of securities investments of a type not allowed by this investment policy, such investments should be sold within a reasonable period unless specific donor restrictions apply. Proceeds will be reinvested in a manner consistent with the policy. Donations of assets other than securities should be evaluated by the Budget and Finance Committee to determine their usefulness to the mission of the organization and the expected rate of return compared with investments in securities. In all but very unusual circumstances specifically approved by the Budget and Finance Committee, these assets should be sold within a reasonable period, with proceeds reinvested in a manner consistent with this policy.

Adopting and Updating the Policy

The Budget and Finance Committee will review this policy at least annually. The Board of Directors must approve any change to the policy.

Other Provisions

Investments should generally not be made with companies or brokerages which employ or might otherwise cause conflict with current Board members. In the event that research concludes that a particular investment (e.g. an insured CD) at one of these institutions is the best alternative for the type of security or deposit being selected, such an investment will be permitted.

Execution

The Budget and Finance Committee will be responsible for evaluating and selecting particular categories (CD's, Money Market, Treasuries, etc.) of investments. The Treasurer may be delegated the responsibility to select a particular investment within a category of investments (i.e. a particular CD within the CD category).

Long-term Assets

In addition to the temporarily available funds noted above, the Ohio LIONS Eye Research Foundation will maintain additional investments in Long-term assets for the Student Fellowship fund and W. R. Bryan Diabetic Eye Disease fund. Long-term assets shall be invested according to the Long-term Investment Policy.

Ohio LIONS Eye Research Foundation Long-term Investment Policy

This statement of investment policy is set forth in order to:

- A. Establish a clear understanding of investment policy and objectives for the Long-term assets.
- B. Develop specific guidelines and limitations for the investment manager to insure that assets are managed in accordance with the investment policy and objectives.
- C. Provide a basis for the evaluation of the investment performance of the assets.

It is the intent of this statement to provide investment objectives which are sufficiently specific to be meaningful, but sufficiently flexible to be practical. These objectives are designed to establish an attitude and philosophy which will guide the investment managers.

The Long-term assets are defined as those funds in the Student Fellowship fund and in the R. W. Bryan Diabetic Eye Disease fund. The Long-term assets will be comprised of two categories of investments, fixed income and equity. The Budget and Finance Committee will be responsible for reviewing and maintaining an approximate 50%-60% equity and 40%-50% fixed income asset allocation.

Fixed Income Securities

The fixed income security portfolio is to consist of U.S. governmental securities (non principal amortized) and/or U.S. corporate securities with a credit of "A" or better. The portfolio should be structured in a 8-year ladder with an 10% - 20% principal amount in each year of the ladder to the extent practicable. Uninvested funds (small balances) and interest income may be invested in a money market fund maintained by the investment manager. In addition, the aggregate market value of an investment in Securities issued by any one company may not exceed 20% of the fund's assets measured at market.

The fixed income securities portfolio may also consist of secured loans to Ohio LIONS, Inc., at a current fair market interest rate and not to be less than 1 1/4% over prime rate. Such loans cannot exceed 20% of the fixed income securities portfolio at the time the loan is made.

Equity Securities

The Investment Objective of the equity portion of the Long-term assets is to achieve a competitive growth of capital (total return) when compared with various market indices of comparable portfolio character over a market cycle (average cycle is five years).

The portfolio is to consist of equities and cash. The Investment Advisor is responsible for the allocation of assets between these two classes. However, Ohio LIONS Eye Research Foundation's preference is to be fully invested in equities except for relatively rare market conditions. Market timing is not an acceptable investment strategy.

Cash should be invested in high grade, short-term fixed income securities. These securities should be instantly salable. The securities must be of the highest short term rating quality (A- I, Prime-1) or at least Aa or Aaa rated. Professionally managed short term money market funds may also be utilized as a short term cash vehicle.

Equities selections are to consider all common stocks listed on The New York Stock Exchange, The American Stock Exchange, and NASDAQ (National Market) for which there is a strong market providing ready salability of the specific security. Equity mutual funds may be used as long as these policy guidelines are observed, including the use of International mutual funds.

The portfolio should be managed in a mix of styles. The securities should be diversified as to market capitalization utilizing a combination of large, medium and small company common stocks. Dividend income is not of primary importance. Total return, including dividend income, is the focus of the portfolio.

The portfolio need not represent a cross section of the economy. The investment manager is to select the industry groups and concentrations to maximize returns and provide prudent diversification, however, the following restrictions should apply:

1. No more than 5% of the portfolio, measured at market, may be invested in the stock of any one corporation.
2. No more than 25% of the portfolio, measured at market value, may be invested in any one sector as defined by the S&P 500. However should the S&P 500 contain a sector that exceeds 25%, the fund's assets may equal and/or exceed by 3 percentage points that specific S&P 500 sector allocation.

The style of investment suggests moderate tolerance for capital fluctuation during difficult phases of a market cycle.

The following transactions are prohibited:

- A. Short sales.
- B. Put and Call option strategies,
- C. Margin purchases.
- D. Securities of Investment Manager's corporation or Parent Corporation.
- F. Commodities/futures.
- G. Direct investment in tangible assets such as real estate, oil and gas, precious metals, etc.

Foreign securities, including American Depository Receipts are allowed, but the mix is limited to no more than 10% of the equities.

Derivatives.

This statement of investment policy shall be reviewed at least annually by the Budget and Finance Committee to determine its appropriateness.