General

These guidelines are to provide direction for the Investment Manager ("the Manager") in its agency agreement for RMC Research & Education Foundation ("the Fund") and shall apply to the overall investment portfolio. The manager shall at all times completely adhere to, but have complete discretion within the framework of, these guidelines.

Investment Policy

Primary emphasis will be placed on long-term growth of income and principal through the use of equities to help maintain the purchasing power of the Fund. Secondary emphasis will be placed on the generation of a high level of income and the preservation of capital through fixed income investments.

As preservation of capital is an objective, high risk-taking is not in the best interest of the Fund and should be avoided. Management of assets shall be executed to provide reasonably consistent performance.

The manager is empowered to liquidate, immediately upon receipt, individual equities received by the Fund as pledge payments and to invest the proceeds from such sales in accordance with the investment strategies approved by the Board of Trustees.

Asset Allocation

The asset structure shall appropriately balance the RMC Research & Education Foundation’s needs for liquidity, income, capital preservation, growth of income and principal, and its tolerance for risk.

Exposure to general asset categories should be limited to the following ranges and, over a period of years, on average meet the following targets:
**Equities** | Minimum | Maximum  
--- | --- | ---  
40% | 60%*† (with up to 10% of the equities portion allowed in Alternative Investments)

**Fixed Income and Cash** | 60% | 40%*

*As approved by the Board of Trustees on 1/20/2005 via mail ballot, asset allocation may be shifted to up to a 60% equities/40% fixed income split.

†As approved by the Board of Trustees on 11/15/05 via oral vote at the Trustees meeting, asset allocation may be shifted to 50% equities/40% fixed income/and up to 10% alternative investments and foreign debt (foreign debt approved 10/27/09). Alternative investments include but are not limited to margin transactions, commodities trading, long and short sales, hedge funds, and other non-traditional forms of investment.

All convertible securities and preferred stocks shall be considered to be equities.

Should the manager deem an asset structure outside the prescribed ranges to be appropriate, he may deviate from these guidelines only with the approval of the RMC Research & Education Foundation’s Board of Trustees.

**Investment Restrictions**

**Fixed Income Investments may only be placed in:**

2. Corporate bonds rated Baa/BBB or better by Standard and Poor’s, Moody’s, Duff & Phelps, or Fitch.
   a. No more than 20% of the fixed income portfolio may be invested in bonds rated Baa/BBB.
   b. No more than a maximum market value of 5% per corporate issuer.
   c. Should a holding be downgraded below Baa/BBB by any of the rating agencies enumerated above, the manager will review the holding within 30 days and make a written recommendation for the Fund whether to sell or continue holding the security.
3. Average quality of the fixed income portfolio shall remain “A” or higher.
4. Asset backed and mortgage backed notes and bonds, and collateralized mortgage obligations.
5. U.S. dollar denominated government and corporate issues, including Yankee and 144A issues.
6. Maturities from 1 to 30 years, with the average maturity of the fixed income portfolio expected to range from 3 to 7 years. No more than 25% of the fixed income may be invested in maturities beyond 10 years.

**Common Stock Investment may only be placed in:**

1. Stocks which are readily marketable with daily quotes available.
2. Issues to the extent that the market value of one company’s holding does not exceed 5% of the total equity portfolio.
3. Prudent industry and sector diversification will be maintained. The market value of stocks in any one industry may not exceed 20% of the equity portfolio’s total market value.

4. Foreign securities are not limited to mutual funds. Separately managed accounts can be used as well.

The Manager shall not be engaged in:

1. The purchase or sale of options or futures, except in the percentage of Alternative Investment allocation.

2. The use of leverage or margin accounts, except in the percentage of Alternative Investment allocation.

3. The lending, pledging or mortgaging of the Fund’s securities.

4. The purchase of restricted stocks, unregistered issues, or private placements.

5. The purchase or sale of commodities – including gold bullion or currency futures, except in the percentage of Alternative Investment allocation.

6. The purchase or sale of foreign stocks defined as issues of corporations not headquartered in the United States, excluding American Depository Receipts and those issues trading in U.S. dollars on a nationally listed exchange, except in the percentage of Alternative Investment allocation.

7. The purchase of either general or limited partnerships (excluding publicly traded REIT’s), except in the percentage of Alternative Investment allocation.

8. The purchase of direct interests in gas, oil, or other mineral exploration and development programs.

Execution of Transactions

All transactions are to be governed by negotiation for execution on a “best realized price” (best net price) basis. The lowest commission rate need not mean the best realized price.

Firms which offer research services may be given preference as long as the manager feels that potential violations of the principle of “best realized price” are offset by the potential value of research.

Performance Objectives

Performance will be monitored continually with results measured and evaluated over one-, three-, five and ten year rolling time periods.

The portfolio is expected to achieve a total return that exceeds inflation as measured by the Consumer Price Index, on an annualized basis, by at least 3%.

Investment performance will be compared, on a time-weighted basis, with that of unmanaged market indices and reviewed periodically by the RMC Research & Education
Foundation’s Financial Management Committee. The return of the Fixed Income component of the Fund is expected to exceed the return of the Lehman Aggregate Index, while the return of the Equity component will be measured against the return of the S&P 500.

**Reporting and Accountability**
The manager will be expected to meet with appropriate personnel, committee members, and the Board of Trustees of the RMC Research & Education Foundation on at least an annual basis, and at such other times as may be requested. Such meetings will be for the purpose of reviewing the investment outlook and strategy, portfolio structure, and performance results. A general agenda for these meetings should include (but limited to):

1. A review of the investment results achieved over the prior quarter and year in relation to the manager’s investment views and internal policies in effect.
2. The manager’s current outlook for the economy and capital markets over the next 6-12 months.