I. FUNCTIONING OF THE INVESTMENT COMMITTEE

Individuals serving on the Investment Committee must be recommended by the Scott Commission and approved by the Trustee. As a Subcommittee of the Scott Health Care Commission, the Investment Committee must be authorized to oversee and make investment decisions, select investment managers, allocate or reallocate funds among the various types of investment or managed funds for the Trust, subject to the review and approval of the Scott Health Care Commission and the Trustee. The Investment Committee shall keep records of all its meetings and actions, which will be appended to the Scott Health Care Commission minutes for the information and approval of the Investment Committee and the Scott Health Care Commission. Marketable securities will be kept in a bank custodial account for safekeeping and for recording and implementation of all transactions.

II. TRANSFERS TO THE CURRENT ACCOUNT:

The Trustee determines each year, in budgetary approvals, the amount of Trust income transferred to the Current Fund for operating purposes. This shall be no more than the total amount of interest earned and up to a maximum of 10% of the remaining interest earned above the initial deposit.

III. TEMPORARY INVESTMENTS

Each year the Trust will make an estimate of its short term needs for funds to cover seasonal fluctuations and enrollment fluctuations until such time as it can adjust its operating budgets. Consequently, it will not be necessary to encumber the management of the longer term investments with the possibility of short term needs. The portion of funds needed for this purpose is to be provided through the Current Fund surplus and Trust Income Stabilization Reserve and may be invested with The Common Fund for Short Term Investments or other appropriate short term investment vehicles. As funds accumulate beyond short term needs, they will be designated for long term investment by the Director, in consultation with the Investment Committee, and the placement decision will be made by the Investment Committee, a Subcommittee of the Scott Health Care Commission and other appointed members.

IV. PRIMARY INVESTMENT ASSETS

All assets under the supervision of the Investment Committee will be placed with an FDIC bank custodian approved by the Trustee. The Investment Committee will adopt a statement of investment policies which the Trustee must approve. The Investment Committee may recommend to the Trustee an experienced investment manager and give the manager discretion to select specific investments in accordance with the statement of investment policies and
parameters. The Investment Committee may also select various mutual funds as investment media for the Trust.

The major portion of Trust funds will be invested in equities and debt securities of varying maturities with a high degree of marketability. Each segment of the portfolio will be reviewed periodically by the Investment Committee and evaluated against performance measures appropriate to that fund, with emphasis on long-range objectives. The Investment Committee will, in turn, provide a comprehensive report and evaluation of investments to the Scott Health Care Commission and Trustee at least annually.

V. OTHER INVESTMENTS

The Trust has some investment funds restricted as to use and the extent and disposition of these investments may appropriately influence investment decisions regarding unrestricted funds. Some investments obtained as gifts may be subject to constraints; others may involve annuity income payment obligations or unitrust agreements. Unitrust investments may be made in no-load mutual funds or placed under individual management. Except for the special arrangements involved, the objectives for these investments and performance criteria will be similar to those adopted by the Trustee for the Trust itself.

VI. STATEMENT OF INVESTMENT POLICIES

A. PURPOSE

The purpose of this Statement of Investment Policies is to set forth the general guidelines within which the assets of the Trust will be invested. It provides parameters to guide the Investment Committee and the investment manager’s decisions.

B. INVESTMENT OBJECTIVES

The primary objective of the investment portfolio is to be in a position to meet promptly all demands the Trustee may make upon the assets of the Trust. Recognizing this transcending requirement, the investment objective will be to attain a real total return, consisting of a combination of capital appreciation (or depreciation) and current income received in the form of dividends and interest, adjusted for inflation as measured by the Consumer Price Index, of at least 5% per year over the long term. The periods over which investment results will be evaluated will be no less than five years. It is recognized that the real return objectives may be difficult to attain in every five year period, but should be attainable over a series of five year periods. It is hoped that the adoption of this objective will allow the portfolio to maintain its purchasing power over time while supporting a satisfactory level of services.
C. PORTFOLIO COMPOSITION AND RISK

1. Assets of the investment portfolio will be allocated among marketable or immediately redeemable equity, equity-type, fixed income, and other types of securities. Most of the time a majority of the assets will be invested in equity and equity-type securities.

2. When fully invested, the range within which the percentage of equity and equity-type investments will be permitted to fluctuate is 40 to 85% of the total portfolio.

D. GUIDELINES FOR FIXED INCOME INVESTMENTS

1. Fixed income investments will generally consist of short and medium-term high grade securities rated "A" or better by a recognized rating agency. No more than 5% of the portfolio may be invested in the debt of any one issuer but there will be no limitation to holdings of U.S. Treasury and U.S. Agency Issues.

2. Short-term funds will be kept entirely in very high grade marketable or highly liquid instruments.

E. GUIDELINES FOR EQUITY INVESTMENTS

1. Equity investments are to be diversified at the discretion of the manager but no additional investment shall be made in an equity security constituting more than 5% of the portfolio.

2. No short sales will be permitted nor may securities be placed on loan to other parties for any purpose.

3. Options, futures contracts, or other types of derivatives or securities may be purchased, but only with prior approval of each transaction by the Investment Committee.

F. GUIDELINES FOR TRANSACTIONS

All assets are to be managed for the exclusive benefit of the Trust. Transactions should be entered into on the basis of best execution, which normally means best realized price. Nonetheless, commissions may be designated for payment of services rendered to the Trust portfolio or to the manager on behalf of the Trust portfolio assets.

G. GENERAL

These guidelines for managing the portfolio of the Trust are not absolute. Circumstances and opinions do change. But before there is a departure from any of these major policy parameters, prior approval by the Trustee will be required.