By incorporating the results of efficient frontier analysis with risk posture, as well as considering industry practices and practical investment issues, UGARF has developed the asset mix guidelines set out in Appendix A.

UGARF’s Long-Term Investment Portfolio will be diversified as to manager style (i.e. value and growth) across the various equity sub-asset categories, consistent with UGARF’s risk posture. UGARF and its EFSF will review the portfolio’s asset mix at least quarterly and re-balance its mix at any time that one or more asset class reaches the minimum or maximum allocation specified above. In re-balancing, the primary focus will be on overall equity exposure. UGARF will allocate assets back to the target mix over a reasonable period of time paying attention to the balance of manager style across the total equity portfolio. UGARF anticipates that its asset allocation targets may change periodically to reflect current and projected market conditions.

C. Investment Guidelines

UGARF and its EFSF will follow these guidelines in the management of the UGARF’s Long-Term Investment Portfolio.

Domestic, Global and International Stock Portfolios

- The purpose of UGARF’s equity investments is to provide capital appreciation and current income, with the recognition that this class of investment carries with it the potential for high market volatility over some periods.

- Equity holdings in a single company (including common stock and convertible securities) should not exceed 10% (at cost) of the individual manager’s portfolio or 5% (at cost) of the Domestic Equity portfolio.

- A minimum of 20 individual stocks should be held within each of the Domestic Equity portfolios.

- Marketable common stocks, preferred stocks, preferred stocks convertible into common stocks, and fixed income securities convertible into common stocks are the only permissible equity investments.

Fixed Income Portfolio

- The purpose of fixed income investments is to provide diversification and a highly predictable, dependable source of income. Fixed income investments should reduce the overall volatility of UGARF’s assets.
The duration of the fixed income portfolio should be targeted to that of the Barclays Capital Aggregate Index and may vary +/- 50% from the target.

Fixed income holdings in a single issuer (excluding obligations of the U.S. Government, its agencies and government sponsored entities) should be limited to 5% of the manager’s portfolio measured at market value at the time of purchase.

Acceptable asset categories include money market securities, U.S. Governments, its agencies and government sponsored entities, mortgage backed and asset-backed securities, and corporate securities. All securities may be purchased without regard to the stated final maturity date or average life of the security. The duration, as outlined above, is the measure of the price sensitivity of the portfolio and the interest rate risk control.

Fixed income investments should be limited to investment grade securities, i.e., securities with ratings of BBB- (Standard & Poor’s) or Baa3 (Moody’s) or higher. Unrated securities of the U.S. Treasury, government agencies and government-sponsored entities are permissible investments. If a bond greater than 1 year in maturity and originally purchased at investment grade gets lowered to non-investment grade by 1 or more ratings agencies, it will be sold within 10 business days of the downgrade. If the bond matures in less than 1 year, the investment advisor may hold to maturity, or sell the bonds.

Securities of foreign (non-U.S.) entities are limited to 20 percent of the total fixed income portfolio, measured at market value. The manager may employ hedging techniques to avoid unwanted currency translation risks.

Fixed income purchases should be limited to readily marketable securities. Private placements are not permissible investments. Convertible bonds or preferred securities are also not permissible investments.

Securities may be purchased on a when-issued or delayed delivery basis.

All exotic derivative securities are prohibited.

Alternative Investments

The purpose of alternative investments is to earn equity-like returns with less volatility over time. Additionally, alternative investments provide additional benefits of increased diversification, thereby lowering the probability that UGARF may experience large market variations over short-term time horizons.
Futures and options positions will be permitted in the management of UGARF assets to maintain market exposure or adjust duration of bond portfolios.

Alternative investments portfolio may include, hedge funds, public real estate investment trusts, distressed debt, and managed futures.

D. Investment Performance Objectives

To facilitate ongoing review and evaluation of the Long-Term Investment Portfolio, UGARF believes that specific investment performance objectives are appropriate. These performance objectives are designed to provide a quantitative basis to judge the effectiveness of the portfolio and the individual fund managers.

a. Annualized Return – Total Fund

In general, the expected or modeled return on the Long-Term Investment Portfolio should be 8% (or 5% over CPI). Specifically, over a 3- to 5-year period, the total Long-Term Investment Portfolio’s annualized total return should:

- Exceed the annualized rate of inflation (as measured by the Consumer Price Index) by 5% (to be determined based on real return expectation);

- Meet or exceed the annualized total return of a customized index (Policy Benchmark Portfolio) comprised of the appropriate weighting of the following benchmarks:

  Global Equity – MSCI World
  Fixed Income – Barclays US Aggregate
  Alternative Investments – 90 Day T-Bill + 4%

Specifically, the Policy Benchmark Portfolio will be composed of a weighted index comprised of 40% MSCI AC World; 40% Barclays Capital Gov’t/Corp; 20% T-Bill+4%.

From inception to 10/31/2007 the benchmark was: 35% S&P 500; 14% Russell Mid Cap; 7% Russell 2000; 14% MSCI EAFE; 30% Lehman Gov’t/Corp. 2.5% REIT/7.5% T-Bill+4%. From 11/01/2007 to 08/31/2010 the benchmark was: 20% S&P 500; 6% Russell Mid Cap; 4% Russell 2000; 10% MSCI AC World; 20% MSCI EAFE; 20% Lehman Gov’t/Corp., 20% T-Bill+4%.
b. Individual Fund Manager Retention Guidelines

Each asset class or investment style employed in the UGARF Long-Term Investment Portfolio has an Index Benchmark, which is used in the asset allocation modeling process. This "proxy" for the asset class is measurable in two dimensions, rate of return and risk. The selected indices are used to develop the overall risk/return profile for the investment program. Therefore it is also appropriate to use these indices as one of the evaluation tools for both hiring and retaining an individual fund manager. Comparison to an index gauges success relative to a broad market in which the manager invests; however, this measurement is insufficient in isolation. Comparison to a manager's peer universe provides a useful compliment to the index comparison as it reveals a manager's relative rank to other alternative manager candidates.

The following quantitative tests measure each fund manager's return and risk. Each test will be applied quarterly to determine if a new manager search process should be initiated by UGARF's EFSF.

- An existing manager's composite return fails to exceed the appropriate index benchmark for 3 successive rolling 3-year periods, advancing 1 quarter at a time.

- An existing manager's composite return versus their appropriate universe comparison fails to achieve top 1/2 performance for 3 successive rolling 5-year periods, advancing 1 quarter at a time.

- An existing manager's risk (as measured by the standard deviation of the manager's composite return) shall not exceed 150% of the standard deviation of the appropriate index benchmark over a 3-year and 5-year trailing basis.

- An existing manager's risk versus return (as measured by the Sharpe ratio of the manager's composite return) shall exceed the Sharpe ratio of the manager's appropriate index benchmark over a 3-year and 5-year trailing basis.

For each of the above requirements, individual fund manager composites will be utilized accessing the longest applicable historical information available, regardless of the manager's tenure with UGARF. The subject manager will be treated as a candidate in the search process.

Additional measures will also be employed in the evaluation process, as determined by UGARF's EFSF, including but not limited to violation of policy guidelines, staff turnover, change in firm ownership, and style drift.
II. Short-Term Investment Portfolio

A. Emphasis and Risk Posture

The Short-Term Investment Portfolio is dedicated to the resources required to assure continued operating liquidity of UGARF considering, among other things, its ongoing legal liabilities, contingencies, and commitments. The primary emphasis of the Short-Term Investment Portfolio is preservation of investment principal, with secondary emphasis on preservation of appropriate investment liquidity, asset/liability matching optimization, and maximization of investment yield. The overall effect of these objectives is to realize a fair return on investment, while limiting the risk of achieving that return through an appropriate allocation among allowable investments.

B. Asset Allocation Policy

Resources in excess of UGARF’s operating requirements that UGARF chooses to hold in its Short-Term Investment Portfolio (Cash and Cash Equivalents) will be invested in debt securities, or other allowable investment alternatives. In order to allow UGARF to diversify effectively by asset class, the portfolio will be managed under the broad asset allocation guidelines defined in this section. These guidelines are meant to be met on average during each quarter.

- The total amount invested in all securities of a single non-government issuer should not exceed 10% of the total investment statutory composite portfolio at the time of purchase.

- The effective duration will be matched to UGARF’s liabilities. Currently, the liabilities are at 0.5 years. Therefore our duration target will be .5 years. The portfolio manager must stay within 1 year of the stated duration target, or between 0 and 1.5 years. The portfolio's average duration will not exceed 1.5 years.

- Allocations to specific classes should not exceed the percentages of the statutory composite portfolio, as identified in Appendix B:

For purposes of allocation and single issuer maximum percentages all asset classes are valued at adjusted cost, except for securities which are valued at market value.

C. Investment Guidelines

The Short-Term Investment Portfolio shall be managed to maintain the proper liquidity for UGARF, which will be determined from time to time and communicated to UGARF’s EFSF.
The classes of investments approved for the Short-Term Investment Portfolio are:

- Bonds, or other evidences of indebtedness, of governmental units in the U.S. and Bonds, or other evidences of indebtedness, of instrumentalities or agencies of those governmental units;
- Demand deposits and certificates of deposits in solvent banks and savings and loan institutions;
- Mortgage Backed securities issued by any GSE (Government Sponsored Entity);
- Corporate Bonds (floating or fixed) rated investment grade by at least one rating agency;
- Asset Backed Securities rated investment grade by at least 1 rating agency.

The following maturity restrictions apply to investments within the Short-Term Investment Portfolio:

- Fixed rate securities will have a final maturity of less than 3 years.
- Floating rate corporate bonds will have a final maturity of less than 5 years. All floating rate securities in the portfolio shall reset at least annually.
- Mortgage Backed Securities will have an average life of no more than 3 years.
- Asset Backed Securities will have an average life of no more than 3 years.

D. Investment Performance Objectives

The performance of the Short-Term Investment Portfolio will be measured by evaluating the rate of return achieved while preserving necessary principal and liquidity. Specifically, the return of the portfolio will be compared to the return of the 90 day Treasury bill and/or other appropriate benchmarks as needed given changes in investment maturity, economic markets, and overall portfolio composition.

III. Requirements of UGARF's EFSF

EFSF will be expected to meet with UGARF representatives periodically to review investment outlook, structure of the portfolios, and past results. Specifically, EFSF should assist UGARF with the following:

Proposed UGARF Investment Policy
UNIVERSITY OF GEORGIA RESEARCH FOUNDATION, INC.

INVESTMENT POLICY

SEPTEMBER 23, 2010

o Developing/refining an investment policy or statement. EFSF will guide the Board in determining and documenting investment objectives, performance benchmarks and guidelines for the investment managers.

o Formulating asset allocation policy and rebalancing provisions. EFSF will assist UGARF in determining its risk tolerance and then the appropriate asset classes, at what percent of the total (target levels), to be included in the fund structure.

o Formulating spending policies. EFSF will manage the asset allocation policy to align return expectations and the UGARF spending policy.

o Evaluating and selecting the investment manager. EFSF will help develop criteria for manager selection within the framework of the IPS. However, it shall be the duty of the EFSF to continuously research, evaluate and recommend additional investment options that may be prudent for the UGARF long term investment portfolio even if the investment option is not currently permitted by the Investment Policy Statement. If such recommendation is made, the investment committee, if in favor of the recommendation, would present such to the board and it would have the authority to accept or reject the recommendation. The investment committee would then submit in writing to the EFSF the approval of the recommendation by the board.

o Evaluating and reporting investment performance. EFSF will assist with performance reporting. Historical and ongoing performance reporting should be customized to meet the committee's information needs.

Documentation

EFSF will provide monthly custody statements that include:
  o The portfolio composition (i.e. asset mix at market value) for each major class of security, including cash equivalents.
  o Position, by individually named securities and/or by appropriately described units of collective funds, showing market values of individually invested securities.
  o All transactions in descriptive detail.
Appendix A

Asset Allocation Requirements – Long-Term Investment Portfolio

<table>
<thead>
<tr>
<th>Investment Portfolio</th>
<th>Minimum</th>
<th>Maximum</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Stocks:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Domestic Stocks</td>
<td>20</td>
<td>50</td>
</tr>
<tr>
<td>Global Stocks</td>
<td>5</td>
<td>25</td>
</tr>
<tr>
<td>International Stocks</td>
<td>5</td>
<td>25</td>
</tr>
<tr>
<td><strong>TOTAL STOCKS</strong></td>
<td>30</td>
<td>70</td>
</tr>
<tr>
<td><strong>Alternative Investments:</strong></td>
<td>0</td>
<td>20</td>
</tr>
<tr>
<td><strong>Bonds:</strong>***</td>
<td>30</td>
<td>70</td>
</tr>
</tbody>
</table>

***Cash and Cash Equivalents are considered "Bonds" for purposes of Asset Allocation
### Appendix B

**Asset Allocation Requirements – Short Term Portfolio**

<table>
<thead>
<tr>
<th>Asset Class Description</th>
<th>Maximum Percentage</th>
<th>Maturity/Maximum</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and Cash Equivalents (exclusive of cash held by)</td>
<td>15%</td>
<td>N/A</td>
</tr>
<tr>
<td>U.S. Treasuries</td>
<td>100%</td>
<td>18 months</td>
</tr>
<tr>
<td>Federal Agencies</td>
<td>100%</td>
<td>18 months</td>
</tr>
<tr>
<td>Asset Backed Securities</td>
<td>50%</td>
<td>3 years (avg. life)</td>
</tr>
<tr>
<td>Mortgage Backed Securities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Small Business Administration U.S. Gty Loan</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Participation Certificates (SBA GLPC)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Corporate Bonds</td>
<td>90%</td>
<td>Investment grade (i.e. ratings of BBB by Standard &amp; Poor or Baa by Moody’s) by at least one ratings agency. Fixed rate maturities within 18 months, Floating rate maturities within 5 years. All floaters must reset at least annually.</td>
</tr>
<tr>
<td>Certificates of Deposit</td>
<td>100%</td>
<td>5 years</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Thompson Bank Watch (C or better) or LACE Rating (C or better) Single bank limit 5 million &quot;C&quot; or better FDIC insured and balance collateralized 10 million &quot;B&quot; or better FDIC insured and balance collateralized</td>
</tr>
</tbody>
</table>