

Investment Policy Statement

Prepared on: May 23, 2008

Prepared for:

Studebaker Nurseries Conservative
11140 MiltonCarlisle Road
New Carlisle OH 45344

Executive Summary

Client Name: Studebaker Nurseries Conservative
Client Type: Retirement Plans Committee Directed
Client Subtype: Public Defined Contribution
Current Assets: \$1,700,000
Modeled Return: 3.2%
1Yr Loss Limit (Worst case scenario): -5.9%

Purpose

The purpose of this Investment Policy Statement (IPS) is to assist the Investment Committee (Committee) in effectively supervising, monitoring and evaluating the investment of the Company's Retirement Plan (Plan) assets. The plan's investment program is defined in the various sections of this IPS by:

1. Stating in a written document the committee's attitudes, expectations, objectives and guidelines for the investment of all of the plan's assets.
2. Encouraging effective communications between the committee and all parties involved with the investment management decisions.
3. Establishing formal criteria to select, monitor, evaluate and compare the performance results achieved by each investment option on a regular basis.
4. Setting forth an investment structure for managing the plan's assets. This structure includes various asset classes, investment management styles, asset allocation and acceptable ranges that, in total, are expected to produce an appropriate level of overall diversification and total investment return over the investment time horizon.
5. Providing guidelines for each investment portfolio that control the level of overall risk and liquidity assumed in that portfolio, so all Plan assets are managed in accordance with stated objectives.
6. Providing rate of return and risk characteristics for each asset class represented by various investment options.

Statement of Objectives

The Plan is a defined contribution plan established in 1/1/1994, and currently covers employees. Plan size is currently \$1,700,000 and annual contributions should total \$150,000. The purpose of the plan is to encourage employees to build longterm careers by providing eligible employees with a convenient way to save on a regular and longterm basis for retirement.

This IPS has been arrived at upon consideration by the Committee by a wide range of policies, and describes the prudent investment process the Committee deems appropriate. This process includes offering various asset classes and investment management styles that, in total, are expected to offer the opportunity to diversify the portfolio in a manner consistent

with the specified risk and return requirements of the portfolio.

The objectives of the Plan are:

- Have the ability to pay all benefit and expense obligations when due.
- Control costs of administering the plan and managing the investments.
- Maximize return within reasonable and prudent levels of risk in order to minimize contributions.

Time Horizon

The investment guidelines are based upon an investment horizon of greater than five years. The Plan's strategic asset allocation is also based on this longterm perspective. Shortterm liquidity requirements are anticipated to be nonexistent, or at least should be covered by the annual contribution.

Risk Tolerances

The Committee recognizes that some risk must be assumed in order to achieve the investment objectives of the plan. In establishing the risk tolerances of the IPS, the ability to withstand short and intermediate term variability were considered. A 1yr loss limit of -5.9% has been calculated for the portfolio. Statistically speaking, there is a 2.5% chance that the 1year return will actually be lower than -5.9%.

The plan's long time horizon, current financial condition and several other factors suggest collectively some interim fluctuations in market value and rates of return may be tolerated in order to achieve the longerterm objectives.

Performance Expectations

The desired investment objective is a longterm rate of return on assets that is at least 3.2%. The target rate of return for the Plan has been based upon the assumption that future real returns will approximate the longterm rates of return experienced for each asset class in the IPS. The Committee realizes market performance varies and a 3.2% rate of return may not be meaningful during some periods. Accordingly, relative performance benchmarks for the investment options are set forth in the "Monitoring" section.

Duties and Responsibilities

Investment Committee

As fiduciaries under the plan, the primary responsibilities of the Committee are:

1. Prepare and maintain this investment policy statement.
2. Prudently diversify the plan's assets to meet an agreed upon risk/return profile.
3. Prudently select investment options.
4. Control and account for all investment, record keeping and administrative expenses associated with the plan.
5. Monitor and supervise all service vendors and investment options.
6. Avoid prohibited transactions and conflicts of interest.

Custodian

Custodians are responsible for the safekeeping of the plan's assets. The specific duties and responsibilities of the custodian are:

1. Value the holdings.
2. Collect all income and dividends owed to the plan.
3. Settle all transactions (buysell orders).
4. Provide monthly reports that detail transactions, cash flows, securities held and their current value, and change in value of each security and the overall plan since the previous report.
5. Maintain separate accounts by legal registration.

Investment Advisor

The Investment Advisor serves as an objective, thirdparty professional retained to assist the committee in managing the overall investment process. The Advisor is responsible for guiding the committee through a disciplined and rigorous investment process to enable the committee to meet the fiduciary responsibilities outlined above.

Asset Class Guidelines

The committee believes longterm investment performance, in large part, is primarily a function of asset class mix. Historically while interestgenerating investments, such as bonds, have the advantage of relative stability of principal value, they provide little opportunity for real longterm capital growth due to their susceptibility to inflation.

On the other hand, equity investments, such as common stocks, clearly have a significantly higher expected return but have the disadvantage of much greater yearbyyear variability of return. From an investment decisionmaking point of view, this yearbyyear variability may be worth accepting given the plan's long time horizon.

Focusing on balancing the risks and rewards of each broad asset class, the following implementation peer groups were selected and ranked in ascending order of "risk" (least to most) according to the most recent quarter's median 3year Standard Deviation values.

Money Market Taxable
ShortTerm Bond
IntermediateTerm Bond

Rebalancing of Strategic Allocation

The percentage allocation to each peer group may vary depending upon market conditions. Please reference the allocation table below for the lower and upper limits for each peer group. When necessary and/or available, cash inflows/outflows will be deployed in a manner consistent with the strategic asset allocation and allocation ranges of the plan. If there are no cash flows, the allocation of the plan will be reviewed quarterly. If the committee judges cash flows to be insufficient to bring the plan within the target allocation ranges, the committee shall decide whether to effect transactions to bring the allocation of plan assets within the threshold ranges.

| Peer Group | Strategic Allocation | Lower Limit | Upper Limit |
|-----------------------|-----------------------------|--------------------|--------------------|
| IntermediateTerm Bond | 50% | 40% | 60% |
| Money Market Taxable | 20% | 10% | 30% |
| ShortTerm Bond | 30% | 20% | 40% |

Implementation

Each investment option should be managed by: (i) a bank; (ii) an insurance company; (iii) a registered investment company (mutual fund); or, (iiii) a registered investment adviser. The committee will apply the following due diligence criteria in selecting each money manager or mutual fund.

Implementation Criteria

1) Fiduciary Score Qtr: Investment must receive a score of less than or equal to 25. (i.e. The fund must place in the top 25% of its peer group) (Required)

Fi360 Fiduciary Score Criteria

- a. Track record: The fund should have a minimum three year history.
- b. Assets in the fund: The fund should have at least \$75 million under management (total across all share classes).
- c. Stability of the organization: The portfolio manager should have at least a twoyear tenure. In a management team setting, the most senior manager's tenure should be at least two

years.

d. Composition consistent with asset class: A minimum of 80% of the fund's securities should be consistent with the peer group's asset class. (Only applicable to certain peer groups See the Fiduciary Score Methodology for specific details)

e. Style consistency: The fund's category and current style box should be the same. (Only applicable to certain peer groups See the Fiduciary Score Methodology for specific details)

f. Expense ratio/fees relative to peers: The expense ratio for the fund should be above the bottom quartile (most expensive) of the peer group.

g. Riskadjusted performance relative to peers: The fund's Alpha and Sharpe Ratio should be above the peer group's median.

h. Performance relative to peers: The fund's 1, 3 and 5year trailing performance should be above the peer group's median.

2) fi360 Due Diligence Criteria SA: The investment must pass all of the fi360 fiduciary due diligence factors. (Required)

3) fi360 Due Diligence Criteria VA: The investment must pass all of the fi360 fiduciary due diligence factors. (Required)

Monitoring Performance Objectives

The committee acknowledges fluctuating rates of return characterize the securities markets, particularly during shortterm time periods. Recognizing that shortterm fluctuations may cause variations in performance, the committee intends to evaluate investment performance from a longterm perspective.

The committee is aware the ongoing review and analysis of the investment options is just as important as the due diligence process. The performance of the investment options will be monitored on an ongoing basis and it is at the committee's discretion to take corrective action by replacing a manager if they deem it appropriate at any time.

On a timely basis, but not less than quarterly, the committee will meet to review whether each investment; specifically:

1. The investment option's adherence to the Watch List Criteria identified below;
2. Material changes in the investment option's organization, investment philosophy and/or personnel; and,
3. Any legal, SEC and/or other regulatory agency proceedings affecting the investment option's organization.

Monitoring Benchmarks

The Committee has determined it is in the best interest of the Plan's participants that performance benchmarks be established for each investment option. Manager performance will be evaluated in terms of an appropriate market index (e.g. the S&P 500 stock index for largecap domestic equity manager) and the relevant peer group (e.g. the largecap growth mutual fund universe for a largecap growth mutual fund).

Peer Group

IntermediateTerm Bond
Money Market Taxable
ShortTerm Bond

Benchmark Index

LB US Govt/Credit 510 Yr TR USD
USTREAS TBill Auction Ave 3 Mon
LB Govt/Credit 15 Yr TR USD

Monitoring Watch List Criteria

The decision to retain or terminate an investment option cannot be made by a formula. Also, extraordinary events do occur that may interfere with the investment option's ability to prudently manage investment assets. It is the committee's confidence in the investment

option's ability to perform in the future that ultimately determines the retention of an investment option.

An investment option may be placed on a Watch List and a thorough review and analysis of the investment option may be conducted, when:

Monitoring Criteria

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Fi360 Fiduciary Score Criteria

- a. Track record: The fund should have a minimum three year history.
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Monitoring Expenses

The committee will review at least annually all costs associated with the management of the plan, including:

1. Expense ratios of each mutual fund against the appropriate peer group.
2. Administrative Fees; costs to administer the plan, including record keeping, custody and trust services.
3. The proper identification and accounting of all parties receiving soft dollars and/or 12b1 fees generated by the plan.

Investment Policy Review

The committee will review this IPS at least annually to determine whether stated investment objectives are still relevant and the continued feasibility of achieving the same. It is not expected that the IPS will change frequently. In particular, shortterm changes in the financial markets should not require adjustments to the IPS.

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Position

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