

CHALLENGE INDUSTRIES, INC.  
INVESTMENT AND FINANCIAL MANAGEMENT POLICY

I. RESPONSIBILITIES

The Finance Committee shall be responsible for the oversight of management and investment of all of Challenge Industries, Inc. funds. The Finance Committee authorizes the President and the Director of Finance to direct all short-term and long-term cash and/or investment portfolios. The services of an investment manager may also be used as approved by the Board of Directors.

The President and the Director of Finance shall be authorized to implement and administer this policy on behalf of the Board of Directors and manage the endowment and non-endowment reserves in accordance with this Investment policy. The Director of Finance shall provide on a quarterly basis a written report on the status of investments to the Finance Committee of the Board, and the Finance Committee shall report on the same basis to the full board.

The Finance Committee shall also be responsible for ascertaining that endowment and trust funds are invested in accordance with the Investment Goals, Guidelines and Limitations set forth in this policy and shall report regularly thereon to the Board of Directors. The Finance Committee shall periodically review the Investment Goals, Guidelines and Limitations and recommend any changes thereto to the Board of Directors for approval.

The Finance Committee shall also be responsible for ascertaining that both principal and income of gifts and trusts are used in accordance with the terms of the gift or trust and shall report thereon on a regular basis and at least annually to the Board of Directors.

The Finance Committee, to the extent practical, shall also be responsible for the oversight of gifts made to the Endowment Fund or other trust funds in form other than cash and shall report thereon on a regular basis and at least annually concerning the management of such gifts to the Board of Directors.

II. INVESTMENT GOALS

It shall be the goal of Challenge Industries, Inc. to manage its cash and reserves in a manner that will:

1. Provide adequate liquidity and cash flow for operational requirements,
2. Prudently balance liquidity, risk, growth and current income to meet operating needs and provide for long-term growth, and
3. Produce a total return (current income plus appreciation) to preserve and maintain the real purchasing power of the principal invested.

III. INVESTMENT GUIDELINES

The Finance Committee assigns authority to the President and Director of Finance for short-term (less than one year) cash management using the following vehicles:

1. U.S. Treasury and Agency Securities,
2. A One/P One Commercial Paper maturing in ninety-one (91) days or less;
3. Certificates of Deposit at financial institutions approved by the Finance Committee of the Board of Directors,
4. Interest bearing deposit accounts at financial institutions approved by the Finance Committee of the Board of Directors, and
5. Mutual Funds Securities consisting of U.S Government securities.

The Finance Committee may authorize the above 1 through 5 for investment purposes as well as for cash management

The Finance Committee may authorize placement of funds with an investment manager to create and manage a portfolio that meets the following criteria:

1. The equity component of the portfolio shall not be less than 30% or more than 70% of the current market value of the total portfolio. The following restrictions shall apply to equity investments:
  - a. Investments shall be diversified with representation in small, mid, and large cap companies, international equities, balancing growth and value disciplines.
  - b. Concentration in any single industry shall not exceed 20% of the total portfolio market value.
  - c. Concentration in any single company shall not exceed 5% of the total portfolio market value.
2. The fixed income component of the portfolio shall not be less than 30% or more than 70% of the current market value of the total portfolio. The following restrictions shall apply to fixed income investments:
  - a. For purposes of this policy, fixed income securities shall be defined as bonds, convertible bonds, notes and cash invested on a short-term basis.
  - b. Investments shall be limited to Federal Government and Agency issues and to corporate issues having credit ratings of "A" or better.
  - c. No one fixed income issue should comprise more than 5% of the market value of the portfolio.
3. Investment in international equity and/or fixed income instruments shall not exceed 15% of the total portfolio.

Investments may include other asset classes resulting from contributions to Challenge.

These matters will be subject to continued study by the Finance Committee.

#### IV. INTERFUND BORROWING

From time to time, it may be necessary to borrow from the assets of the Endowment Fund to support Challenge's operations. The Finance Committee authorizes the President and the Director of Finance to direct all such borrowings with the following limitations:

1. The aggregate amount borrowed from the Endowment Fund may not exceed 25% of the current market value of the Endowment Fund and
2. The amount borrowed may not reduce the current market value of the Endowment Fund to an amount less than the total Restricted Net Assets of Challenge Industries, Inc.

Funds shall be repaid at the rate of 1.5% of the original balance per month plus interest at the prime rate. The Board of Directors may waive such repayment if it determines such payments are a hardship to the organization. If excess funds become available, the Board of Directors may direct that such funds be used as a lump sum payment to further reduce any outstanding balance.

#### V. SOCIAL RESPONSIBILITY

The Board of Directors reserves the right to exclude from investment the securities of certain corporations or industries because of concern over social responsibility issues.