

**GEORGIA TECH RESEARCH CORPORATION
GEORGIA TECH APPLIED RESEARCH CORPORATION
INVESTMENT POLICY**

The Georgia Tech Research Corporation and the Georgia Tech Applied Research Corporation are setting forth this Investment Policy (“Policy”) to establish the framework within which the Corporations’ investment activities will be conducted. The majority of funds held by GTRC and GTARC are payable to the Georgia Institute of Technology for research costs and overhead. GTRC and GTARC also hold funds in excess of the cost plus overhead due to Georgia Tech each month. These funds are managed by GTRC and GTARC to provide support for the research and educational missions of the Institute. The Policy provides for minimal risk and maximum return to maintain principal and ensure liquidity. It is also the intention of this Policy to increase funds available for the support of Georgia Tech research by investing excess funds held by the Corporations.

Policy

GTRC and GTARC shall manage funds held by the Corporations to protect principal and maintain the availability of the funds while earning interest at current market norms.

Introduction: In establishing this Policy the Board recognizes the traditional relationship between risk and returns and acknowledges that all investments, whether for one day or years, involve a variety of risks related to maturity, credit, market and other factors. Additionally, some investments involve intermediaries (counter-parties) whose performance (or failure to perform) may affect the value or liquidity of the underlying investment.

When choosing between alternative investments, staff should structure the portfolio based on an understanding of the variety of risks and the basic principle of diversification imposed by this Policy on the structure of the portfolio

This Investment Policy, the actions of the staff and Third Party Managers will be guided by the standard care expected of a “Prudent Person”. The Prudent Person Rule states that

Investments should be made with judgment and care, under the circumstances then prevailing. Which persons of prudence, discretion and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income from the investment.

Scope: The Investment Policy shall apply to all the funds held by the Georgia Tech Research Corporation and the Georgia Tech Applied Research Corporation.

To the extent that excess funds held by GTRC and GTARC are the result of advance payments from the United States government, such funds are subject to the requirements of Office of Management and Budget (OMB) Circular A-110.

Funds held for payment to Georgia Tech are subject to the requirements of the Board of Regents of the University System of Georgia.

Stock, warrants, options and similar equity interests received by Georgia Tech as consideration or partial consideration for the license of intellectual property by the Office of Technology Licensing pursuant to Georgia Tech's Intellectual Property Policy (Faculty Handbook Section 50) is not considered an investment under this Policy and is excluded from coverage hereunder.

For the avoidance of doubt: Georgia Tech Research Corporation and Georgia Tech Applied Research Corporation maintain separate accounts and separate investments. Funds held by the Corporations are not comingled.

Audit Committee: The Audit Committee shall recommend Guidelines for GTRC and GTARC Investments that are consistent with the objectives below. The Audit Committee shall also review the Guidelines at least annually along with investment activity reported to the Board of Trustees in the Quarterly Treasurer's Report to assess investment risk as follows:

- *Credit risk*
- *Concentration of credit risk*
- *Custodial credit risk*
- *Interest rate risk*
- *Liquidity risk*

The Audit Committee may recommend changes to the Guidelines for GTRC and GTARC Investments to the Board at any time.

Objectives: The objectives of this Investment Policy are, in order of priority, to ensure the safety of capital and to maintain the liquidity of funds. The safety of capital is ensured by establishing minimally credit ratings is higher than Grade BBB for investment instruments which may include commercial paper, limiting the portfolio duration and the duration of individual holdings, setting limits on exposure of funds by market sector, requiring a minimum investment in a basket of securities either fully guaranteed by the U.S. Government or issued by an Agency or Instrumentality of the U.S. Government, and requiring third party managers to verify compliance with their investment parameters and this Investment Policy. To provide liquidity, to fund operating expenses, and to provide for unanticipated expenditures, funds will be invested in securities which are traded in a reasonably liquid market.

Guidelines for GTRC and GTARC Investments

Adopted December 8, 2009

All investments will follow the guidelines listed below. Such investments shall comply with the requirements of OMB Circular A-110, if applicable. Such investments shall comply with the requirements of the Board of Regents of the University System of Georgia (BoR), if applicable.

Investment Guidelines:

1. Consistent with the requirements of the BoR, and based on a reasonable estimate, funds needed for the current month's payment to Georgia Tech shall be held in the checking account of each corporation (known as the respective Corporation's "Operating Account") included in the Bank of America's group of Public Depositors and collateralized in the Pledging Pool or other such account as may be approved from time to time by the Auditor of the State of Georgia for deposits of agencies and municipalities of the State of Georgia. This pool provides diversification and collateralization to protect principal and provides liquidity. Alternatively, these funds may be held in an account insured by the Federal Deposit Insurance Corporation or other insurer provided however that such other insurance shall name the depositor (GTRC or GTARC) as the beneficiary of the insurance.
2. OMB Circular A-110, Subpart C.22.(i) requires that advances of federal funds be deposited and maintained in insured accounts whenever possible. Subpart C.22.(k) further specifies that such funds shall be maintained in interest bearing accounts unless the best reasonably available account would not be expected to earn interest in excess of \$250 per year on Federal cash balances or the depository would require such a high average or minimum balance as to not be feasible. Interest earned on such accounts must be remitted to the government (see GTRC and GTARC Policy for Federal Cash Advances). Funds equivalent to the amount of prepayments by the United States government currently held by GTRC and GTARC shall be held in their respective Operating Accounts which are included in the Bank of America's group of Public Depositors and collateralized in the Pledging Pool. Alternatively, these funds may be held in an account insured by the Federal Deposit Insurance Corporation or other insurer provided however that such other insurance shall name the depositor (GTRC or GTARC) as the beneficiary of the insurance.
3. The following classes of securities are deemed suitable for investment by the Corporation:
 - a. U.S. Government and Agency Debt Obligations
 - b. Federal Instrumentality Debt Obligations
 - c. Bank Certificates of Deposits
 - d. Repurchase Agreements
 - e. Money Market Mutual/Trust Funds that are comprised of 90 percent U.S. government agency-insured instruments
 - f. Commercial paper rates A-1/P-1, or better

- g. Fixed Income Mutual Funds that are comprised of 90 percent U.S. government agency-insured instruments

Investment in high-rated securities is intended to improve yield at an acceptable risk.

4. Investing in any other type of investment vehicle requires prior approval by the Board of Trustees.

Additional Guidelines:

1. Investments should be staggered maturities coinciding with the cash requirements of GTRC and GTARC throughout the year. The Board must approve any investments with a term longer than one (1) year.
2. A current list of financial institutions approved as depositories for investment will be kept on file and updated regularly by the Audit Committee. This list includes commercial banks, and brokerage houses insured by the Securities Protection Investment Corporation.
3. Within guidelines, maximum interest rates shall be sought, with the maturity of the investments governed by expected cash needs.
4. All securities are to be written in the name of Georgia Tech Research Corporation or Georgia Tech Applied Research Corporation.
5. Money market funds will be in the name of the Georgia Tech Research Corporation or Georgia Tech Applied Research Corporation.
6. Securities received as payment for sponsored research in accordance with the Policy on Sponsor Payment of Sponsored Research Costs Using Stock shall be sold as quickly as practicable to liquidate the receivable.
7. The Treasurer shall report investments to the Board quarterly as provided by the custodian(s) of the investment account. Such report shall include:
 - a. Holdings by class of security
 - b. Maturity date of each security
 - c. Income earned for the current quarter and year to date
 - d. Market value at the end of each quarter
 - e. Realized gains/losses from disposition, if any
 - f. A statement that the Corporation is in compliance with its investment policy
 - g. Performance relative to an appropriate benchmark for all relevant periods (including "since inception")

Documentation Requirements

1. Bank of America or its successor shall be required to provide written confirmation that GTRC and GTARC are included in the list of public depositories whose deposits are collateralized by the Pledging Pool not less than annually.
2. Bank of America or its successor shall be required to provide documentation of FDIC insurance coverage for covered accounts not less than annually.

**Georgia Tech Research Corporation
Georgia Tech Applied Research Corporation
Policy for Federal Cash Advances**

From time to time, The Georgia Tech Research Corporation and Georgia Tech Applied Research Corporation may receive an advance payment for a research grant or contract sponsored by an agency of the United States government. In such cases, the Corporation receiving the advance has excess cash belonging to the Government until such time as the government is invoiced for the research or sponsored program conducted pursuant to the grant or contract. Subpart C Section 22, the Payments section of OMB Circular A-110, addresses this issue. Subpart C Section 22 also states:

(k) Recipients shall maintain advances of Federal funds in interest bearing accounts, unless (1), (2) or (3) apply.

(1) The recipient receives less than \$120,000 in Federal awards per year.

(2) The best reasonably available interest bearing account would not be expected to earn interest in excess of \$250 per year on Federal cash balances.

(3) The depository would require an average or minimum balance so high that it would not be feasible within the expected Federal and non-Federal cash resources.

(l) For those entities where CMIA and its implementing regulations do not apply, interest earned on Federal advances deposited in interest bearing accounts shall be remitted annually to Department of Health and Human Services, Payment Management System, Rockville, MD 20852. Interest amounts up to \$250 per year may be retained by the recipient for administrative expense. State universities and hospitals shall comply with CMIA, as it pertains to interest. If an entity subject to CMIA uses its own funds to pay pre-award costs for discretionary awards without prior written approval from the Federal awarding agency, it waives its right to recover the interest under CMIA.

In order to comply with this section of the Circular, GTRC holds such advances in its Operating Account held at Bank of America. This account is interest bearing as stipulated in sub-section (l). Furthermore, interest earned by these excess funds is calculated on a monthly basis and remitted to DHHS on a quarterly basis.

**Georgia Tech Research Corporation
Georgia Tech Applied Research Corporation
Policy on Sponsor Payment of Sponsored Research Costs Using Stock**

The policy of Georgia Tech Research Corporation and Georgia Tech Applied Research Corporation (collectively GTRC) is to require payment for research costs and overhead in U.S. dollars. From time to time, certain non-profit corporations or charities whose endowment is based on a gift or bequest of stock may, by published policy which is uniformly applied to all grantees, may reimburse universities for sponsored research using stock. GTRC may accept such payment following the following Procedure provided the following Requirements have been satisfied. The General Manager of the Corporations may approve such agreements.

Procedure and Requirements

1. Each such case has to be justified by the impact on the School's research programs, the PI's career goals, and the societal impact of the project. The school chair will have to approve the justification.
2. GTRC will only accept such payment terms from foundations set up under the applicable IRS regulations for non-profit charitable foundations established by a gift or bequest of stock. GTRC will NOT accept payment from a for-profit entity on this basis.
3. The stock payment terms must be a requirement imposed uniformly on all grantees and published in the sponsor's guidelines or proposal solicitation.
4. The stock used to pay GTRC must be either:
 - a. the stock that was used to create the foundation, or
 - b. the stock of a company that acquired the company whose stock was used to create the foundation.For example, JSMF might pay GTRC in Boeing stock but GTRC would not accept payment from JSMF in CocaCola stock.
5. The stock must be immediately tradable with recent trades within a predictable range. The amount (value) of stock used to pay GTRC must be determined at the time the payment is due and reflect the then current trading price of the stock.
6. The stock will be paid directly to GTRC's brokerage account and will immediately be sold with the proceeds forwarded to GTRC. The funds will be applied to the receivable.
7. The School must execute a "fixed price letter" and accept the risk of under-recovery.
8. If possible, the project budget should be adjusted to accommodate the brokerage fee which will be charged to the project account.
9. GTRC will not accept payment in the stock of any company in which GTRC has an ownership interest or in any stock in which any officer or member of the GTRC Board of Trustees has a significant financial interest (the usual exception for mutual funds and retirement plans applies).
10. We will ask our broker to provide a standard to use in determining if the "business and ethical practices" of companies whose stock might be used are acceptable. This would help ensure that GTRC wouldn't be caught with a plunging stock as a result of company wrong-doing or the misfeasance or malfeasance of its principals.
11. The contract for the sponsored program must provide for termination without penalty (and full cost recovery to date) in the event that the stock no longer meets the standards in 4 and 9 and the foundation will not agree to pay in cash.
12. The contract must provide for immediate payment in cash if the payment in stock is not received timely.
13. GTRC will not accept stock in a company that is not a U.S. company and traded on the New York Stock Exchange or NASDAQ.
14. The shares received by GTRC for payment in a single payment or during a quarter will not exceed 1% of the average number of shares of the stock traded each day for the year prior to Georgia Tech accepting the payment terms in the agreement.