

National Association of Watch & Clock Collectors, Inc.

***NAWCC Investment Fund
Life Membership Fund
Museum Acquisition Fund
Library Acquisition Fund
Symposium Fund
Temporary Restricted Funds***

**Statement of Investment Policy
Objectives & Guidelines
Short Term Investments**

Approved ?/?/11

Statement of Investment Policy, Objectives, and Guidelines

Short Term Investments

SCOPE OF THIS INVESTMENT POLICY

This investment policy statement reflects the policies, objectives, and constraints to be applied to investment management of the National Association of Watch and Clock Collectors, Inc.'s funds that are maintained for operating and near term projects.

PURPOSE OF THIS INVESTMENT POLICY STATEMENT

This statement of investment policy is set forth by the Finance Committee and approved by the Board of Directors of the National Association of Watch and Clock Collectors, Inc. in order to:

1. Define and assign the responsibilities of all involved parties.
2. Establish a clear understanding for all involved parties of the investment goals and objectives of Short Term Investment assets.
3. Offer guidance and limitations to all Investment Managers regarding the investment of Short Term Investment assets.
4. Establish a basis for evaluating investment results.
5. Manage Short Term Investment assets according to prudent standards as established in common trust law.
6. Establish the relevant investment horizon for which the Short Term Investment assets will be managed.

In general, the purpose of this statement is to outline a philosophy and attitude that will guide the investment management of the assets toward the desired results. It is intended to be sufficiently specific to be meaningful, yet flexible enough to be practical.

DELEGATION OF AUTHORITY

The Finance Committee of the National Association of Watch and Clock Collectors, Inc. as defined in Article III Section 2(d)3 of the NAWCC Bylaws, is responsible for directing and monitoring the investment management of Short Term Investment assets. Except as defined in Article III, Section 1 of the NAWCC By-Laws, nothing in this policy is intended or allowed to restrict the Finance Committee from exercising management of the assets herein described including recommending adjustment of Preferred Asset Allocation Percentages as described in Asset Allocation Guidelines later in this Policy. The Finance Committee is authorized to delegate certain responsibilities to professional experts in various fields. These include, but are not limited to:

1. Investment Management Consultant. The consultant may assist the Finance Committee in: establishing investment policy, objectives, and guidelines; selecting investment managers; reviewing such managers over time; measuring and evaluating investment performance; and other tasks as deemed appropriate.
2. Investment Manager. The investment manager has discretion to purchase, sell, or hold the specific securities that will be used to meet the Short Term Investment Funds' investment objectives.
3. Custodian. The custodian will physically (or through agreement with a sub-custodian) maintain possession of securities owned by the Short Term Investment Funds, collect

dividend and interest payments, redeem maturing securities, and effect receipt and delivery following purchases and sales. The custodian may also perform regular accounting of all assets owned, purchased, or sold, as well as movement of assets into and out of the Short Term Investment Funds.

4. Co-Trustee. The Finance Committee may appoint an outside individual or entity, such as a bank trust department, to be co-trustee. The Co-trustee will assume fiduciary responsibility for the administration of Short Term Investment assets.
5. Additional specialists such as attorneys, auditors, actuaries, retirement plan consultants, and others may be employed by the Finance Committee to assist in meeting its responsibilities and obligations to administer Short Term Investment assets prudently.

The Finance Committee will not reserve any control over investment decisions, with the exception of specific limitations described in these statements. Managers will be held responsible and accountable to achieve the objectives herein stated. While it is not believed that the limitations will hamper investment managers, each manager should request modifications that they deem appropriate.

All expenses for such experts must be customary and reasonable, and will be borne by the Short Term Investment Funds as deemed appropriate and necessary.

DEFINITIONS

1. "Short Term Investment Funds" shall mean the following funds of National Association of Watch and Clock Collectors, Inc.'s.
 - a. NAWCC Investment Fund
 - b. Life Membership Fund
 - c. Museum Acquisition Fund
 - d. Library Acquisition Fund
 - e. Symposium Fund
 - f. Other temporary restricted funds
 - g. Other short term funds as designated by the Board of Directors
2. "Finance Committee" shall refer to the governing board established to administer the Short Term Investment Funds as specified by Article III Section 2(d)3 of the NAWCC Bylaws.
3. "Fiduciary" shall mean any individual or group of individuals that exercise discretionary authority or control over fund management or any authority or control over management, disposition or administration of the Short Term Investment assets.
4. "Investment Management Consultant" shall mean any individual or organization employed to provide advisory services, including advice on investment objectives and/or asset allocation, manager search, and performance monitoring.
5. "Investment Manager" shall mean any individual, or group of individuals, employed to manage the investments of all or part of the Short Term Investment assets.
6. "Securities" shall refer to the marketable investment securities that are defined as acceptable in this statement.
7. "Investment Horizon" shall be the time period over which the investment objectives, as set forth in this statement, are expected to be met. The investment horizon for the Short Term Investment Funds is 5 years.

ASSIGNMENT OF RESPONSIBILITY

Responsibility of the Investment Management Consultant

The Investment Management Consultant's role is that of a non-discretionary advisor to the Finance Committee of the National Association of Watch and Clock Collectors, Inc. Investment advice concerning the investment management of Short Term Investment Accounts assets will be offered by the Investment Management Consultant, and will be consistent with the investment objectives, policies, guidelines and constraints as established in this statement. Specific responsibilities of the Investment Management Consultant include:

1. Assisting in the development and periodic review of investment policy.
2. Conducting investment manager searches when requested by the Finance Committee.
3. Monitoring the performance of the Investment Manager(s) to provide the Finance Committee with the ability to determine the progress toward the investment objectives.
4. Communicating matters of policy, manager research, and manager performance to the Finance Committee.
5. Reviewing the Short Term Investment Funds investment history, historical capital markets performance and the contents of this investment policy statement to any newly appointed members of the Finance Committee.

Responsibility of the Investment Manager(s)

Each Investment Manager will have full discretion to make all investment decisions for the assets placed under its jurisdiction, while observing and operating within all policies, guidelines, constraints, and philosophies as outlined in this statement. Specific responsibilities of the Investment Manager(s) include:

1. Discretionary investment management including decisions to buy, sell, or hold individual securities, and to alter asset allocation within the guidelines established in this statement.
2. Reporting, on a timely basis, quarterly investment performance results.
3. Communicating any major changes to economic outlook, investment strategy, or any other factors that affect implementation of investment process, or the investment objective progress of the Short Term Investment Accounts' investment management.
4. Informing the Finance Committee regarding any qualitative change to investment management organization: Examples include changes in portfolio management personnel, ownership structure, investment philosophy, etc.
5. Voting proxies, if requested by the Finance Committee, on behalf of the Short Term Investment Accounts, and communicating such voting records to the Finance Committee on a timely basis.

GENERAL INVESTMENT PRINCIPLES

1. Investments shall be made solely in the interest of the beneficiaries of the Short Term Investment Funds.
2. The Fund shall be invested with the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent man acting in like capacity and familiar with such matters would use in the investment of a fund of like character and with like aims.
3. Investment of the Fund shall be so diversified as to minimize the risk of large losses, unless under the circumstances it is clearly prudent not to do so.

4. The Finance Committee may employ one or more investment managers of varying styles and philosophies to attain the Fund's objectives.
5. Cash is to be employed productively at all times, by investment in short term cash equivalents to provide safety, liquidity, and return.

INVESTMENT MANAGEMENT POLICY

1. Conservative – The Investment Management Consultant shall maintain an overall asset allocation for the Short Term Investment Account with a primary emphasis focus on portfolio stability and preservation of capital.
2. Risk Aversion - Understanding that risk is present in all types of securities and investment styles, the Finance Committee recognizes that some risk is necessary to produce long-term investment results that are sufficient to meet the Short Term Investment Accounts' objectives. However, the investment managers are to make reasonable efforts to control risk, and will be evaluated regularly to ensure that the risk assumed is commensurate with the given investment style and objectives.
3. Adherence to Investment Discipline - Investment managers are expected to adhere to the investment management styles for which they were hired. Managers will be evaluated regularly for adherence to investment discipline.

GOAL OF SHORT TERM INVESTMENT FUND

The Finance Committee feels that income to be made in the future is as important as income made today. This is consistent with the philosophy that these Short Term Investment Funds are to be utilized for the near-term support of the NAWCC, its Museum, Library and School, and therefore, should provide for asset growth and income for the near term. To attain this goal, the overriding objective of this foundation is to maintain purchasing power. That is, net of spending, the objective is to grow the aggregate portfolio value at the rate of inflation or more over the Short Term Investment Funds' investment horizon. The Short Term Investment Funds' specific investment objectives will be established later in this document.

ATTITUDE TOWARD GIFTS

Future giving (contributions) to these funds are expected to be inconsistent, and therefore, unpredictable. As a result, the Finance Committee has set an investment strategy with the objective of maintaining purchasing power of Short Term Investment assets before consideration of gifts. Accordingly, future giving will serve to increase purchasing power. Therefore, expectations may be expressed by the following equation:

$$\text{Expected Total Return (Income and Gains)} \geq (\text{Spending} + \text{Inflation} + \text{Expenses}),$$

$$\text{While Giving} = \text{Increase in Purchasing Power}$$

DISTRIBUTION POLICY

The Short Term Investment Fund places a high emphasis on meeting its distribution obligations. Generally earnings from the various short term funds will accrue to the specific fund. In the case of the NAWCC Investment Fund a specific amount may be budgeted annually after review of performance by the investment managers and in consultation with the Finance Committee.

INVESTMENT OBJECTIVES

In order to meet its needs, the investment strategy of the National Association of Watch and

Clock Collectors, Inc. Short Term Investment Funds are to emphasize total return; that is, the aggregate return from capital appreciation and dividend and interest income.

Specifically, the primary objective in the investment management for Investment Accounts assets shall be:

Preservation of Purchasing Power - To achieve returns in excess of the rate of inflation over the investment horizon in order to preserve purchasing power of Short Term Investment assets. Risk control is an important element in the investment of Short Term Investment assets.

The secondary objective in the investment management of Short Term Investment assets shall be:

Achieve a modest level of portfolio income and appreciation.

SPECIFIC INVESTMENT GOALS

Over the investment horizon established in this statement, it is the goal of the aggregate Short Term Investment assets to exceed:

The rate of inflation (as measured by the Consumer Price Index) by 0.5%

The investment goals above are the objectives of the aggregate Short Term Investment Funds, and are not meant to be imposed on each investment account (if more than one account is used). The goal of each investment manager, over the investment horizon, shall be to:

1. Meet or exceed the market index, or blended market index, selected and agreed upon by the Finance Committee that most closely corresponds to the style of investment management.
2. Display an overall level of risk in the portfolio that is consistent with the risk associated with the benchmark specified above. Risk will be measured by the standard deviation of quarterly returns.

Specific investment goals and constraints for each investment manager, if any, shall be incorporated as part of this statement of investment policy. Each manager shall receive a written statement outlining his specific goals and constraints as they differ from those objectives of the entire Short Term Investment Funds.

DEFINITION OF RISK

The Finance Committee realizes that there are many ways to define risk. It believes that any person or organization involved in the process of managing the National Association of Watch and Clock Collectors, Inc. assets understands how it defines risk so that the assets are managed in a manner consistent with the Short Term Investment Funds' objectives and investment strategy as designed in this statement of investment policy. The Finance Committee defines risk as:

The probability of losing money over the Short Term Investment Funds' investment time horizon.

LIQUIDITY

To minimize the possibility of a loss occasioned by the sale of a security forced by the need to meet a required payment, the Executive Director will periodically provide investment counsel with an estimate of expected net cash flow. The Executive Director will notify the investment

management consultant in a timely manner, to allow sufficient time to build up necessary liquid reserves.

To maintain the ability to deal with unplanned cash requirements that might arise, the Finance Committee requires that a minimum of 10% of Short Term Investment assets shall be able to be cashed out within 2 business days with no additional cost.

MARKETABILITY OF ASSETS

The Finance Committee requires that all Short Term Investment assets be invested in liquid securities, defined as securities that can be transacted quickly and efficiently for the Investment Accounts, with minimal impact on market price.

INVESTMENT GUIDELINES

Allowable Assets

1. Cash Equivalents
 - Treasury Bills
 - Money Market Funds
 - STIF Funds
 - Commercial Paper
 - Banker's Acceptances
 - Repurchase Agreements
 - Certificates of Deposit
2. Fixed Income Securities
 - U.S. Government and Agency Securities
 - Corporate Notes and Bonds
 - Mortgage Backed Bonds
 - Preferred Stock
 - Fixed Income Securities of Foreign Governments and Corporations
 - Planned Amortization Class Collateralized Mortgage Obligations (PAC CMOs) or other "early tranche" CMOs
3. Equity Securities
 - Common Stocks
 - Convertible Notes and Bonds
 - Convertible Preferred Stocks
 - American Depository Receipts (ADRs) of Non-U.S. Companies
 - Stocks of Non-U.S. Companies (Ordinary Shares)
4. Mutual Funds
 - Mutual Funds that invest in securities as allowed in this statement.
5. Exchange Traded Funds (ETFs)
 - ETFs that invest in securities as allowed in this statement.
6. Other Assets

- GIC's
- R.E.I.T.
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Derivative Investments

Derivative securities are defined as synthetic securities whose price and cash flow characteristics are based on the cash flows and price movements of other underlying securities. Most derivative securities are derived from equity or fixed income securities and are packaged in the form of options, futures, CMOs (PAC bonds, IOs, POs, residual bonds, etc.), and interest rate swaps, among others. The Finance Committee feels that many derivative securities are relatively new and therefore have not been observed over multiple economic cycles. Due to this uncertainty, the Finance Committee will take a conservative posture on derivative securities in order to maintain its risk-averse nature. Since it is anticipated that new derivative products will be created each year, it is not the intention of this document to list specific derivatives that are prohibited from investment, rather it will form a general policy on derivatives. **Unless a specific type of derivative security is allowed in this document, the Investment Manager(s) may not invest Short Term Investment Assets in derivative investments.**

Stock Exchanges

To ensure marketability and liquidity, investment advisors will execute equity transactions through the following exchanges: New York Stock Exchange; American Stock Exchange; and NASDAQ over-the-counter market. In the event that an Investment Manager determines that there is a benefit or a need to execute transactions in exchanges other than those listed in this statement, written approval is required from the Finance Committee.

Prohibited Assets

Prohibited investments include, but are not limited to the following:

1. Private Placements
2. Options and Futures Contracts
3. Limited Partnerships
4. Venture-Capital Investments
5. Real Estate Properties
6. Interest-Only (IO), Principal-Only (PO), and Residual Tranche CMOs
7. Commodities

Prohibited Transactions

Prohibited transactions include, but are not limited to the following:

1. Margin Transactions

Asset Allocation Guidelines

Investment management of the assets of the National Association of Watch and Clock Collectors, Inc. Museum and Library Investment Fund shall be in accordance with the following asset allocation guidelines:

1. Aggregate Short Term Investment Funds Asset Allocation Guidelines (at market value)

<u>Asset Class</u>	<u>Minimum</u>	<u>Maximum</u>	<u>Preferred</u>
Equities	0%	50%	25%
Fixed Income	0%	90%	55%
Cash and Equivalents	10%	100%	20%

2. The Finance Committee, by majority vote, may recommend to the Investment Manager(s) adjustments to the Preferred Percentages above, either up or down.

3. The Finance Committee may employ investment managers whose investment disciplines require investment outside the established asset allocation guidelines. However, taken as a component of the aggregate Short Term Investment Funds, such disciplines must fit within the overall asset allocation guidelines established in this statement. Such investment managers will receive written direction from the Finance Committee regarding specific objectives and guidelines.

4. In the event that the above aggregate asset allocation guidelines are violated, for reasons including but not limited to market price fluctuations, the Finance Committee will instruct the Investment Management Consultant to bring the portfolio into compliance with these guidelines as promptly and prudently as possible. In the event that any individual Investment Manager's portfolio is in violation with its specific guidelines, for reasons including but not limited to market price fluctuations, the Finance Committee expects that the Investment Manager will bring the portfolio into compliance with these guidelines as promptly and prudently as possible without instruction from the Finance Committee.

Diversification for Investment Managers

The Finance Committee does not believe it is necessary or desirable that securities held in the Short Term Investment Funds represent a cross section of the economy. However, in order to achieve a prudent level of portfolio diversification, the securities of any one company or government agency should not exceed 10% of the total fund, and no more than 25% of the total fund should be invested in any one industry. Individual treasury securities may represent 50% of the total fund, while the total allocation to treasury bonds and notes may represent up to 100% of the Short Term Investment Funds' aggregate bond position.

Guidelines for Fixed Income Investments and Cash Equivalents

1. Investment Accounts assets may be invested in investment grade bonds only if rated A (or equivalent) or better.
2. Investment Accounts assets may be invested in commercial paper only if rated A1 (or equivalent) or better.
3. Fixed income maturity restrictions are as follows:
 - Maximum maturity for any single security is 7 years.
 - Weighted average portfolio maturity may not exceed 5 years.
4. Money Market Funds selected shall contain securities whose credit rating at the absolute minimum would be rated investment grade by Standard and Poor's, and/or Moody's.

SELECTION OF INVESTMENT MANAGER CONSULTANT

The Finance Committee' selection of the Investment Manager Consultant must be based on prudent due diligence procedures. A qualifying investment manager consultant must be a registered investment advisor under the Investment Advisors Act of 1940, or a bank or insurance company.

INVESTMENT MANAGER PERFORMANCE REVIEW AND EVALUATION

Performance reports generated by the Investment Management Consultant shall be compiled at least quarterly and communicated to the Finance Committee for review. The investment performance of total portfolios, as well as asset class components, will be measured against commonly accepted performance benchmarks. Consideration shall be given to the extent to which the investment results are consistent with the investment objectives, goals, and guidelines as set forth in this statement. The Finance Committee intends to evaluate the portfolio(s) over at least a three-year period, but reserves the right to terminate a manager for any reason including the following:

1. Investment performance that is significantly less than anticipated given the discipline employed and the risk parameters established, or unacceptable justification of poor results.
2. Failure to adhere to any aspect of this statement of investment policy, including communication and reporting requirements.
3. Significant qualitative changes to the investment management organization.

Investment managers shall be reviewed regularly regarding performance, personnel, strategy, research capabilities, organizational and business matters, and other qualitative factors that may impact their ability to achieve the desired investment results.

INVESTMENT POLICY REVIEW

To assure continued relevance of the guidelines, objectives, financial status and capital market expectations as established in this statement of investment policy, the Finance Committee plans to review investment policy at least annually.

This statement of investment policy, adopted on Month day, 2011 by the Board of Directors of the National Association of Watch and Clock Collectors, Inc., applies solely to the named Short Term Investment Funds.