

SPECIAL NEEDS TRUST FOUNDATION
FIRST PARTY MASTER TRUST
SPECIAL NEEDS TRUST FOUNDATION OF SAN DIEGO,
TRUSTEE

INVESTMENT POLICY STATEMENT

ADOPTED APRIL 13, 2007

REVISED NOVEMBER 16, 2007

PURPOSE

The purpose of this Investment Policy Statement is to establish a clear understanding as to the investment objectives and policies applicable to the portfolio of the beneficiary. The statement is not a contract; rather is intended to be a summary of the investment philosophy that provides guidance in the management of the beneficiary's portfolio.

OBJECTIVES

There are two investment objectives – a short-term objective and a long-term objective. The short-term objective is to have enough funds available at all times to meet immediate requests for disbursements. The long-term objective seeks the potential for capital appreciation.

INVESTMENT MANAGEMENT AGREEMENT

The trustee has appointed Citi Smith Barney, a division of Citigroup Global Markets, Inc., as agent of the Investment Management Account. Thereby all investments will be held by Citi Smith Barney in a custodial account for the benefit of the beneficiary. The investments may be held in an individual account or in a pooled account. The trustee reserves the right to make future changes to the selection of the Investment Agent.

ASSET ALLOCATION

The short-term objective is achieved through the use of a money market account. Initial funds deposited into the trust will be invested in a money market account at Smith Barney. Disbursements made on behalf of the beneficiary will be made from this liquid fund. None of the initial money market funds will be invested in other funds for six months. At the end of the six month period 5% will remain in the money market and 95% will be invested under the following long-term objective.

The long-term objective will be achieved by investing 60% of the assets in equity funds and the remaining 35% in a taxable bond fund. The funds selected by the trustee are as follows:

- 45 % Vanguard Total Stock Market Index Fund(TSM)
- 7.5 % Vanguard Small Capitalization Stock Index Portfolio
- 7.5 % Franklin Templeton Foreign Fund Class A
- 35% Vanguard Total Bond Market Index Fund

DESCRIPTION OF EACH FUND

Vanguard Total Stock Market Index Fund (TSM) shadows the Wilshire 5000 Index. This index tracks nearly all publicly traded stocks in the U.S. Around 70% of the fund's assets are devoted to large companies. The remaining 30% is invested in mid-size and small companies.

Vanguard Small Capitalization Stock Index Portfolio seeks to match the performance of the MSCI (Morgan Stanley Capital International) U.S. Small Cap 1750 Index. This index represents the universe of small capitalization companies in the U.S. equity market.

Franklin Templeton Foreign Fund Class A seeks long-term capital growth by investing at least 80% of its net assets in securities of companies outside the United States, including emerging markets.

Vanguard Total Bond Market Index Fund is a taxable bond fund. The objective of this fund is to parallel the investment performance of the entire U.S. bond market as measured by Lehman Brothers Aggregate Bond Index. The portfolio holds U.S. government securities, corporate bonds, and GNMA's, as well as other mortgage-backed securities.

REVIEW POLICY

The trustee will review this policy and the allocation and performance of the funds semi-annually. It will establish effective communication with Smith Barney and request that they balance the accounts to the recommended percentages.