Sample Investment Guidelines for the Individual Investor

1. **View the purchase of a company's stock from the perspective of ownership in a business** . You should seek to buy only those companies where there is an established record of earning profits. In general, you should avoid buying stock in any company that is losing money – i.e., negative earnings per share.
2. **The company you own should view debt the same way you do in terms of developing a sound financial plan**. You should purchase only those companies that have a debt ratio below 30% and a current ratio 1.5 or higher.
3. **When purchasing a company you should seek to buy stock that is on sale**. The stock should be within the bottom portion of the current year's 52 week range and be at the low end of the 52 week ranges for 3 out of the last 5 years.
4. **Buy companies where the management has a consistent history of making profitable decisions**. You should look to buy those companies that have 5 and 10-year annual compound growth rates of 10% or higher in sales and earnings.
5. **Purchase companies that have been externally recognized as having a strong business model capable of producing value over the next year at the time of purchase**. You should seek to purchase only those companies that have a 1 or 2 in terms of timeliness and 1,2, or 3 in Safety by Valueline. Also the financial safety rating should be B+ or higher at the time of purchase.
6. **Given the importance of preserving your investment savings, you should not seek to buy companies that are over-valued in terms of their price earnings ratio [P/E].** You should not buy a stock with a P/E greater than 30.
7. **When retaining company stock, you should consider selling a stock that does not continue meeting the criteria laid out in items 1 through 6.** In particular, if a company's stock eventually reaches a P/E of 50 or higher you should definitely consider selling a portion or all of the position.
8. **For every sell decision, there must be a buy decision either in another equity or fixed income investment.** When making this **decision** don't violate items 1 through 6 just to stay invested in stocks. Consider the reasons why you sold your stock and whether it may be time to keep money in cash or near cash securities.
9. **In your investment portfolio you should seek to maintain a cash/near cash position of between 20-40% of the value of all securities held.** When the market is reaching high levels [e.g. 14,000 on the Dow several years ago], you should seek to take some profits and move them to cash against the contingency of a market down turn.
10. **When markets are severely battered, take money from cash/near cash and invest in companies that have all of the characteristics 1 through 6 at prices significantly below their 52 –week ranges for the last 5 years.** However, make sure you can commit the funds for a period of 3 to 5 years.
11. **Seek to own the best of the best companies at very attractive prices rather than Chase the latest trend type firm that has a limited number of products or services [i.e., Krispy Kreme, Iomega, Enron].**
12. **Be patient, don't panic when markets appear to be rattled – seek to take a disciplined approach to investing.** When committing funds into the market buy

small amounts over a long period of time – e.g. if you were to invest $50,000 today, you would want to look at the best possible acquisition now for an initial commitment of $10,000 and then look at moving money into the market in $10,000 increments over the next 6 months. In addition, consider dividend reinvestment and systematic purchases of stock to average down the cost of your positions in a falling market.