

LEWISTON LIBRARY FOUNDATION
Investment Policy

Adopted: September 29, 2008

I. PURPOSE

The Board of Directors (“the Board”) of the Lewiston Library Foundation (“the Foundation”) does hereby establish the following investment Policy and Guidelines (“the Policy”) for all restricted and unrestricted funds (“the Funds”) held for investment. The Funds of the Foundation are held by the corporation in trust for the sake of carrying out its mission and purposes. The following investment objectives and guidelines are to be judged and understood in light of that overall sense of stewardship.

II. DELEGATION OF AUTHORITY

The Board delegates supervisory authority over its financial affairs to its Finance Committee. The Finance Committee shall consist of three (3) individuals selected by the Board. The Finance Committee is responsible for regularly reporting investments to the Board consistent with the reporting requirements of this Policy. In carrying out its responsibilities, the Finance Committee and its advisors will act in accordance with this Policy and all applicable laws and regulations. The Board may grant exceptions to this Policy when it seems appropriate in individual situations. This Policy may be amended only by the Foundation Board.

The Board and its Finance Committee are authorized to retain one or more investment counselors or advisors to assume the investment management of funds and assets owned or administered by the Foundation. In discharging this authority, the Finance Committee can act in the place and stead of the Board and may receive reports from, pay compensation to, and enter into agreements with such counselors or advisors. The “Investment Team” shall comprise the Finance Committee and its financial counselors or advisors.

III. OBJECTIVES and CONSTRAINTS

The primary investment objective of the Foundation is to preserve and protect its assets. This objective is achieved by earning a total return on its funds, appropriate to the Foundation’s constraints regarding time horizon, liquidity needs, legal issues, taxation, and any unique circumstances, all the while staying within the Foundation’s risk and return tolerance. The Board acknowledges that unfavorable capital markets may persist over periods of unpredictable duration and therefore, maintain an intermediate to long-term investment horizon (1 to 10 years). In that regard, the investment objectives are as follows:

- A. All invested Funds seek the highest possible total return consistent with each mutual funds' and/or advisor's investment style and appropriate risk level. Over 3- and/or 5-year time periods, mutual funds and/or managers are expected to produce a net total rate of return, which exceed the relevant benchmark or index for their respective investment asset class or style.
- B. On an annualized basis, exceed the rate of inflation, as measured by the Consumer Price Index, by 3.5% on the total portfolio.

IV. DONOR GIFTED SECURITIES

It is the Board's policy to judiciously and prudently sell or redeem all marketable securities gifted to the Foundation as soon as practicable. This policy is to preclude any issues of market timing or security selection.

The Lewiston Library Foundation is cognizant and sensitive to donor gifts or marketable securities and the possible market impact to that security's value when sold. All attempts will be made to liquidate gifted securities in an orderly and efficient manner without market disruption.

V. STRATEGIC ASSET ALLOCATION GUIDELINES

Assets will be diversified to ensure that adverse or unexpected developments arising in one security or asset class will not have a detrimental impact on the entire portfolio or investments. The funds will be allocated within the following guidelines:

- A. Equity investments may represent from 40% to 60% of the Foundation's funds.
- B. Fixed income investments may represent from 10% to 40% of the Foundation's funds.
- C. Cash equivalents investments may represent from 5% to 20% of the Foundation's funds.

The Foundation's portfolio shall be managed so as to maintain the liquidity necessary to fund all required endowment and program distributions.

The Board will annually review the Foundation's risk and return profile and make any adjustments to its strategic asset allocation.

VI. ASSET MIX

To accomplish the Foundation's investment objectives, the Investment Team is authorized to construct portfolios of individual equity securities (common stocks, and convertible securities), fixed-income securities, and short-term (cash) investments. As a

guide to accomplishing these objectives, the Investment Team shall remain within the ranges provided in the Asset Allocation guidelines discussed above. The actual investment targets shall be set within those limits by the Investment Team.

VII. ASSET QUALITY

- A. *Common Stocks:* The quality rating of at least 80% of common stocks should be with publicly traded companies whose credit quality as rated by Standard & Poor's is B+ or better.
- B. *Convertible preferred stock and convertible bonds:* The Investment Team may use convertible preferred stocks and bonds as equity investments. The quality rating of convertible preferred stock and convertible bonds must be Investment Grade. The common stock into which both may be converted must be rated as specified in section A above.
- C. *Fixed income securities:* The quality rating of bonds and notes must be Investment Grade. The portfolio may consist of only traditional principle and interest obligations.

If a nationally recognized statistical ratings organization has placed a fixed income security, either convertible or nonconvertible, on its credit watch list for a downgrade, the security will be avoided for new investment until the credit watch is lifted and the investment grade rating has been affirmed.

- D. *Short-term reserves:* The quality rating of commercial paper must be A-1, as rated by Standard & Poor's or better and P-1 as rated by Moody's. Money market mutual funds will be no load, maintain a constant daily net asset value of \$1.00, and comply with the Securities and Exchange Commission rule 2a-7 regulating money market funds.
- E. *Mutual Funds:* A Morning Star ranking for mutual funds will be used for fund selection and replacement. Any mutual fund ranked 1 or 2 stars will be excluded for consideration and if presently held in the portfolio, reviewed for possible replacement.

The Investment Team may not make investments in derivative securities.

VIII. ASSET DIVERSIFICATION

As general policy, the Investment Team will maintain reasonable diversification at all times. The Investment Team may not allow the investments in the equity securities of any one company to exceed 5% of the total portfolio. The Investment Team shall also maintain reasonable sector allocations and diversification. In that regard, no more than 25% of the entire portfolio may be invested in the securities of any one-industry sector.

IX. INVESTMENT TEAM ACCOUNTABILITY - TRANSACTIONS

All purchases of individual securities will be for cash and there will be no margin transactions short selling or commodity transactions.

Distribution of earnings in the form of dividends and interest will be reinvested or disbursed as recommended by the Investment Team.

X. INVESTMENT CRITERIA BASED ON MISSION OR SOCIAL RESPONSIBILITY

The Foundation desires to invest in companies whose business conduct is consistent with the Foundation's goals and beliefs. Therefore, the Investment Team will use its best efforts to avoid investing directly in the securities of any company known to participate in business it deems to be morally offensive or inappropriate.

Although desirable, the asset quality guidelines discussed above are not applicable when the Foundation utilizes mutual funds and/or institutionally managed accounts.

XI. REPORTING REQUIREMENTS

1. *Monthly:* The Advisor(s) will provide the Finance Committee with a monthly statement containing all pertinent transaction details for each separately managed portfolio for the preceding month, including
 - a. The name and quantity of each security purchased or sold, with the price transaction date;
 - b. An analysis for each security of its description, percentage of total portfolio purchase date, quantity, average cost basis, current market value, unrealized gain or loss and indicated annual income and yield (%) at market, and
 - c. An analysis for the entire portfolio of the current asset allocation by investment category (equities, fixed-income securities and cash reserves).
2. *Annually:* The Investment Team shall provide an annual summary of all transactions in each fiscal year, together with a report of investment performance for the year by portfolio, to the full Foundation Board of Directors.

XII. POLICY REVIEW and/or MODIFICATION

This Investment Policy and Guidelines shall be reviewed for possible modification by the Investment Team as conditions warrant but not less than annually. All modifications to this Policy are subject to the approval of the Board.