

Little Sebago Lake Endowment Investment Policy

I. STATEMENT OF PURPOSE AND INTRODUCTION

This Investment Policy Statement (IPS) has been adopted by the Little Sebago Lake Association Board of Directors to provide guidelines for the investment of principle on the Little Sebago Endowment. The IPS provides guidelines to all key parties concerned and a structured approach for the management of these financial reserves.

The overall investment goals for the reserves established through this IPS are as follows:

- preserve principal;
- ensure liquidity; and
- produce income corresponding to prevailing interest rates available in the financial markets

II. INVESTMENT FUNDS

In terms of management, the existing reserve funds will be organized in one composite investment account that will be oriented towards preservation of principal, liquidity and interest income. Sub-accounts may also be established depending on the discretion of the Board of Directors Executive Committee and the Board of Directors to address the prospective and specific requests of individual donors. All funds, however, shall be managed in accordance the mandates of this investment policy statement. All funds shall be tracked on a regular basis by the Board of Directors Executive Committee of The Little Sebago Lake Association. For purposes of clarity, and in terms of introducing the element of market-oriented income, the definition below will be used to identify the type of account that, going forward, will be held by The Directors of The Little Sebago Lake Association for these reserves:

Organizational Account/Sub-Accounts: These funds include general organizational reserves and any sub-accounts that will continue to be managed for preservation of capital, short-term liquidity and yield appropriate to market conditions.

III. RESPONSIBILITY FOR OVERSIGHT

The Board of Directors of the Little Sebago Lake Association has delegated the day-to-day authority for the ongoing investment of available reserves to the Board of Directors Executive Committee of the Little Sebago Lake Association. The Board of Directors Executive Committee has the authority to purchase and sell investments on behalf of the Little Sebago Lake Association with reference to the established IPS. The Board of Directors Executive Committee and the Board shall also be responsible for the oversight of the reserves. The Board of Directors Executive Committee, on behalf of the Little Sebago Lake Association, may work with an independent Investment Advisor or Advisory Team to structure the reserves in investments in order to meet the composite goals articulated above, i.e. safety, liquidity and income. The Board of Directors Executive Committee and the Board will review the account no less than once per quarter, utilizing the Investment Advisor or Advisory Team, to insure compliance with the IPS and to

monitor specific investments and on-going returns, as well as general market directions. The Board of Directors Executive Committee will provide an update to the Board of Directors no less than once every six months. An annual accounting will be provided to the membership at the Annual Meeting of Members of the Little Sebago Lake Association.

IV. PROCEDURES

The procedures that follow below will ensure the IPS is consistent with the mission of the Little Sebago Lake Association and accurately reflect the financial conditions and requirements of the organization.

Review and Analysis

- This IPS shall be reviewed annually by the Board of Directors Executive Committee;
- The Board of Directors Executive Committee will also recommend any necessary revisions or modifications to the IPS to the Board of Directors; and
- Any modifications shall be incorporated in this IPS with the approval of the Board of Directors Executive Committee and the Board of Directors.

Fund Management

It is anticipated that the services of an Investment Advisor or Advisory Team will be required to render advice in the management of the Little Sebago Lake Association reserves. The following procedure shall be followed to engage a new and/or replace the Investment Advisor or Advisory Team.

- The Board of Directors Executive Committee will recommend the hiring or replacement of an Investment Advisor or Advisory Team to the Board of Directors;
- The Board of Directors Executive Committee will review the candidate(s), negotiate fee structures, and make a decision in coordination with the Board of Directors; and
- The Board of Directors Executive Committee, with due reporting to the Board of Directors, will be responsible for monitoring the performance of the Investment Advisory Team.

Bi-Annual Reporting

The Board of Directors Executive Committee, with the services of the Investment Advisor or Advisory Team, shall prepare the following report once every six months for presentation to the Board of Directors:

- Portfolio of investments held, including market value;
- Investment income generated year to date;
- Current yield of the different positions in the portfolio; and
- Overall portfolio performance as compared to market benchmarks

V. INVESTMENT OBJECTIVES

The primary short-term objectives sought through the investment of the Little Sebago Lake Endowment are preservation of principal and liquidity, as well as to provide cash as necessary in order to promote the objectives as set forth by the Association and the Board of Directors during a

normal budget cycle. The longer-term objectives for the portfolio are the generation of market-related interest income without exposure to undue market risk. It is fully recognized – as related to this IPS - that fluctuating interest rates are characteristics of the financial markets. Again, the overall goals established with this IPS are:

- preserve principal;
- ensure liquidity; and
- produce market relevant income while managing risk

VI. ALLOWABLE INVESTMENTS

Unless otherwise specifically authorized by the Board of Directors Executive Committee and Board of Directors, with necessary amendments to this IPS, the following shall constitute the allowable investments for the Little Sebago Endowment:

- Cash;
- Money Market Funds that invest predominantly in government backed securities and other short-term paper and financial instruments
- Federally-insured Certificates of Deposit not to exceed \$100,000, including interest, from commercial banks or savings and loans institutions; and
- High Quality, Investment Grade Corporate Bonds.

VII. ASSET ALLOCATION

Target Weights, Asset Mix and General Definitions

The investments of the Little Sebago Lake Association shall be diversified as outlined below to minimize the likelihood of losses, unless unusual circumstances arise and the Board of Directors Executive Committee and Board of Directors, in consultation with the Investment Advisor or Advisory Team, deem it prudent to make a movement to all cash. The Board of Directors Executive Committee, in consultation with the Investment Advisor or Advisory Team, should review the investment portfolio quarterly and direct that the portfolio be re-balanced according to the “Target-Weight” (as described in the Asset Allocation Table) semi-annually. If the investment portfolio exceeds maximum weights, then the portfolio should be re-balanced towards the “Target-Weight” as soon as practicable.

The “Target Weight” investment profile outlined below will be the general, preferred allocation for the overall reserves and hence, the portfolio should reflect that allocation and the asset class mix as described.

ASSET CLASS	MINIMUM WEIGHT	TARGET WEIGHT	MAXIMUM WEIGHT
CASH & EQUIVALENTS			
Cash, Inst. Money Markets, CDs	65%	80%	100%

TOTAL CASH & EQU.	65%	80%	100%
FIXED INCOME			
Investment Grade Corporate Bonds	0%	20%	35%
TOTAL FIXED INCOME	0%	20%	35%

Cash & Equivalents: Cash, investments in liquid institutional money market funds, as well as certificates of deposit.

Fixed Income: Investments in investment grade, fixed income securities will be managed actively to pursue opportunities presented by changes in interest rates, credit ratings and maturity premiums. Individual bonds conforming to the general policy guidelines, may be used to implement the investment program. The following definition shall apply for the purposes of this policy:

US Intermediate Corporate Bonds: A portfolio consisting primarily of individual fixed income securities denominated in US dollars issued by the US corporate entities having a weighted average maturity of less than 10 years and rated as high grade investment securities.

VIII. PERFORMANCE REPORTING

The Board of Directors Executive Committee, with the assistance of the Investment Advisor or Advisory Team, will provide two reviews per year. A detailed review will be in advance of the Annual Meeting of the Board of Directors. The Investment Advisory Team shall provide a formal briefing and an annual report to the Board of Directors Executive Committee and the Board at a designated time and venue which shall include:

- Overview of general market conditions and trends;
- Overall, composite asset allocation;
- Schedule of investments held, including current market value;
- Income generated from the portfolio;
- Overall annual performance and yield of investments; and
- General and specific Recommendations going forward

A second review will be provided six months later that focuses on material changes from the prior review.

IX. USE OF ENDOWMENT PRINCIPLE AND INCOME

The income generated by the endowment will be used as part of the general operating fund of the Association and can be used to pay any reasonable expenses as determined by the Board of Directors or the Treasurer within their relative authorities. As part of its annual review and presentation to the Board of Directors, the Executive Committee will recommend whether any unused Endowment income from the prior year be added to the Endowment principle. The Board of Directors will vote on this recommendation and the standard rules governing the voting process for the Board of Directors applies. Once income is added to principle, these funds are now considered principle and the policy covering the disposition of principle applies to these funds.

Generally, the Endowment principle should not be used for general operating or other expenses, and its intended purpose is to generate an annuity income stream for the good of Little Sebago Lake. If a situation occurs where the Association cannot meet the operating obligations through the general fund, a motion can be made by a member of the Board of Directors that the Endowment principle be used to meet these obligations. To use Endowment principle for this purpose requires a unanimous agreement of the Board of Directors.

X. TERMINATION OF THE ENDOWMENT

The Endowment has been created with intent to exist and operate without an anticipated end date. There are, however, certain unlikely events that may require the termination and liquidation of the endowment. An example of this type of event might be a legislative or regulatory change that makes it impractical or illegal to operate such an endowment.

If an event occurs that a Board believes requires the Termination of the Endowment, s/he will make a motion to the Board of Directors to Terminate the Endowment. A unanimous vote by the Board of Directors is required to Terminate the Endowment. If the Endowment is terminated, the Endowment principle and accrued income will be added to the general fund and be used in compliance with all applicable laws and with the normal processes used by the Board of Directors.