INVESTMENT POLICY AND GUIDELINES FOR

THE ENDOWMENT FUND OF THE BRIDGTON PUBLIC LIBRARY

Introduction

This statement of investment objectives and policies governs the investment management of the endowment of the Bridgton Public Library. It is anticipated that this statement will be reviewed annually and will be considered effective until modified by the Board of Trustees.

A. Investment Objectives

The overall purpose of the Endowment Fund is to provide a level of support to the Bridgton Public Library as determined by the Spending Policy (see C.) and as consistent with the objective of maintaining or enhancing the purchasing power of the Endowment Fund.

The primary investment objective is to achieve a competitive total rate of return (realized and unrealized capital gains plus income, after fees) commensurate with prudent diversification and moderate risk.

While a specific goal for the Endowment Fund is not specified, a goal would likely be set in the event of a capital campaign or significant capital need. The general objective is a fund large enough to support five days of Library operations each week. It is prudent to assume that the town’s contribution to the Library’s operating budget will remain in the $65,000 to $85,000 range for the foreseeable future and that the Endowment Fund needs to be large enough to provide for capital improvements. An Endowment of $1,000,000 growing at 5% per year would provide $50,000 of operating income annually. This contribution to the operating budget would be sufficient to meet the operating objective of five days per week and capital improvement needs as well as cover variations in town support, changes in annual campaign donations and a reduction in support from the 4 on the Fourth Road Race.

B. Investment Guidelines

Investment Policies

Given market risk, investments should be made with a long-term perspective. They should be well diversified with respect to asset class (stocks, bonds, cash equivalents) and within each class of asset (industry, sector, size of corporation).

The purpose of cash or cash equivalents is to provide the funds when requested for Library budget needs, as well as additional liquid cash for investment purposes.

Asset Allocation

The proposed asset mix is intended to:

1) Address the objectives of the Fund and the risk tolerance parameters of the Board, and

2) Provide a framework for regular monitoring and evaluation of the Fund's holdings.

Asset Class Minimum Maximum

Equity 60% 75%

Fixed Income 20% 40%

Cash and Cash Equivalents 0% 20%

Policy regarding Donated Stock

Specific information regarding how to donate stock or bonds to the Library is available from the Library Director.

From time to time, the Library receives donations of shares of stock, usually in connection with the annual giving campaign; i.e., donations to the operating fund of the Library. When such stocks are received, the Investment Manger will notify the Board of Trustees at it next meeting or, if that meeting is more than one month away, the notification will be accomplished by e-mail.

Unless directed to do otherwise by the Board of Trustees, the Investment Manager will sell the donated stock within one week following such notification and place the proceeds into the Operating Fund Prime Money Market account.

Ethics of Investments

There is a preference for investment in companies where management exhibits high ethical standards. While the Library is not in a position to screen companies for approval on an on-going basis, it is important that the investment manager be sensitive to the nature of the investment and the origin of its funds, i.e., tobacco, gambling, child labor, etc.

Prohibited Transactions

While recognizing the limitations of control over the rapidly changing holdings of mutual funds, the following types of assets or transactions are expressly prohibited:

 Selling short

 Puts and calls

 Commodities

 Penny stocks

 Letter stock

 Option contracts

 CMO's

Derivatives

Futures

Hedge Funds

If there is a question as to the appropriateness of an investment for the Endowment Fund, the Investment Manager (see E.) is directed to check with the Chairman of the Finance Committee prior to making that investment.

C. Spending Policy

The Endowment has been established to supplement the Bridgton Public Library's operating budget and necessary capital/plant expenditures. The Endowment may also provide the resources for strategic initiatives or special projects.

 No more than 5% of the corpus of the endowment will be utilized for budgetary purposes in a given year. This amount will be based on the average calendar year-end value of the fund of the previous three years. The Treasurer or Investment Manager will transfer the funds being withdrawn into the operating checking as needed. Obviously, drawing less from the Endowment is always prudent. Any additional distributions above the 5% range may be made only with a 2/3 vote of approval by the full Board of Trustees.

D. Background of Current Endowment Fund Spending Policy

The following are the approximate annual rates of returns for various asset classes over the past seventy years:

Common Stocks 8%

Intermediate Government Bonds 4%

 US Treasury Bills 3.5%

 Inflation 2%

With an asset allocation of 65% stocks or mutual funds, 30% bonds and 5% cash equivalents, the expected return from the portfolio would suggest that 5% of the portfolio could be expended annually while still maintaining the purchasing power of the Endowment Fund.

E. Responsibility, Review and Amendment

The Board of Trustees has delegated responsibility for investment policy implementation to the

Investment Manager. The Investment Manager is responsible for carrying to carry out day-

to-day activities. Presently, the Investment Manager is an unpaid board member.

The Investment Manager is encouraged to seek advice from community members known for expertise in investment issues and to suggest revisions which that will improve the probability of achieving the stated objectives. Should there be no Trustee sufficiently experienced and knowledgeable to function effectively as Investment Manager, the Board will hire the services of a professional Investment Manager.

The Investment Manager (Trustee or professional) will make a monthly Endowment Report to the Board of Trustees and will brief the Board of Trustees at the Annual Meeting each year on overall balance and performance, and the expectations for the portfolio's performance.

Approved by the Board of Trustees: December 20, 2011