Trust Investment Policy

Baldwin Public Library
Birmingham, MI

Purpose

The purpose of this policy is to establish investment parameters for all investment assets designated as Endowment under control of the members of the Baldwin Public Library ("BPL") Board serving as Trustees of the Baldwin Public Library Trust ("BPLT"), which exists to support the operations of BPL.

The parameters established will serve to set investment objectives for all applicable assets as defined by this policy; to limit investment risk associated with managing these assets; to create sound operating procedures in order to assure prudent, safe and legal investment practices; and to establish clear lines of investment authority, for the control and review of such investment assets.

This Policy is meant to accurately convey BPLT's investment objectives, strategies and restrictions in light of its financial needs. Furthermore, it is meant to be flexible and reflective of the current as well as longer term financial needs of BPL. As such, it will be reviewed, at a minimum, on an annual basis by the Finance Committee of the Baldwin Public Library Board (hereinafter the "Committee") and revised if necessary.

Finally, this Policy establishes standards by which the Committee can judge the investment performance of BPLT's various financial assets.

Overview of Investment Philosophy and Policy

Philosophy
It is the philosophy of BPLT that its Endowment assets exist to provide long range benefits to BPL to assist it in achieving its overall goals of providing a first class library to its users.

Because the philosophy is toward long range benefits, BPLT believes it is responsible, to the best of its abilities, to protect, nurture, and increase the corpus of these assets rather than use them for any short term benefits that may be inconsistent with its long range objectives.

Policy
It is the investment policy of BPLT to manage its Endowment in a manner consistent with optimizing its long term value. Asset management will be conservative by nature in order to protect BPLT's long term objectives. It will emphasize the control of investment risk; comply

with safe, sound, and legal investment practices; and maintain strict accountability for investment activity.

Accepted Forms of Investment Management

The financial assets will be managed by a specialized investment manager and/or financial custodian selected by the Committee and approved by the Trustees of BPLT. BPLT may obtain such services from a commercial bank, a trust company, an investment advisory firm or other financial professionals. In choosing such an outside manager/advisor, the Committee will perform a prudent due-diligence review as to expenses, performance history, and general professional reputation. The Committee will review the expenses and performance of such manager/advisor at least annually.

Responsibility of External Investment Manager

An external investment manager retained by BPLT will be expected to use investment strategies and investment vehicles consistent with this Policy. Each element of the Policy is of equal importance. If any conflict or inconsistency is perceived by the investment manager, it shall be his or her responsibility to discuss and resolve it with the Committee as soon as possible.

BPLT expects the investment manager to actively and prudently manage its assets in order to obtain stated investment goals. Such management will include ongoing review of methods as-well as recurring evaluation of investment opportunities.

BPLT and the Committee expect the investment manager to initiate investment strategy and tactics designed to achieve the goals set forth in this Policy.

Therefore, BPLT and the Committee grant investment discretion to the investment manager within stated Policy restrictions. It will be the specific responsibility of the investment manager to adhere to all Policy parameters and restrictions.

General Investment Objectives

Specific investment objections of BPLT include capital preservation, income (i.e., rate of return), growth of principal, and liquidity.

Because BPLT's Policy is long term in nature, the specific objectives for each of these areas will have a measurement basis against the prevailing inflation and economic levels. In this way, BPLT intends to measure and preserve the current relative value of its investment capital and related income.

The Committee will annually review and adjust the specific targets in each of these areas of investment management. In this manner, BPLT and the Committee intend to keep their investment objectives consistent with realistic and prevailing conditions.

Appropriate investment performance indices will be established against which to measure and evaluate actual returns of the various financial assets. These specific investment

targets will be pursued while strictly adhering to all statutory and institutional guidelines. Actual investment returns and the performance of each investment manager will be measured against these targets.

Endowment Spending Policy

It is the general intent of and policy of BPLT to promote the internal growth of its Endowment assets in such a manner so that the potential income which can be generated from the increased size of this portfolio will represent a significant contribution to BPL's fiscal well being. This internal portfolio growth will be reinforced whenever possible by the appropriate reinvestment of income and capital gains.

It is the policy of BPLT to approve the transfer of up to 5% of its Endowment market value (so long as such transfer will not reduce the endowment below its principal amount plus 5%) at the end of each April for the following year, using a trailing five year weighted average. Such transferred funds may be used by the Library Director, consistent with the financial policies of the Library, throughout BPL's fiscal year on expenses which further BPL's mission to provide a first class library to its users. In calculating weighted average market values, the earliest market value will be given a 10 percent weighting, the second market value a 15 percent weighting, the third market value a 20 percent weighting, the fourth market period a 25 percent weighting, and the latest a 30 percent weighting. Any gifts or additional deposits received during the latest valuation year will be added to the prior four years' market values in order to be given full weight in the payout calculation.

In no way is this general policy meant to unduly deplete portfolio assets or to impair the preservation of the purchasing power of the invested funds. In order to protect against this asset depletion, it shall be the responsibility of the Committee to, at a minimum, annually review and adjust this policy to fit current budgetary conditions, actual returns of the portfolio, and the needs of BPL.

Specifically Designated Endowment Assets

Nothing in this investment policy for BPLT's general endowment funds shall be deemed to detract from specific spending guidelines which pertain to designated or restricted donations to BPL.

It must be noted that regarding the Endowment, only dividend, interest income and market appreciation may be withdrawn and spent—provided, however, that if a distribution from a separately named Endowment fund is required by the terms of the gift agreement and such gift agreement permits the withdrawal of the principal to satisfy the required distribution, then principal may also be withdrawn from such fund and spent.

Spending of Endowment and Other BPLT Assets

All BPLT assets must be spent strictly to support the operations of BPL. Trust expenditures will be reported monthly to the Committee and to the Trustees of BPLT.

Investment Quality and Asset Allocation Criteria

It shall be the policy of BPLT to protect the value of its investment assets. Toward this end, it will establish parameters limiting the nature of its investments.

These parameters include the following asset allocations:

Equities:	45% to 75%
Fixed Income, Cash and Cash Equivalents:	25% to 55%

Because BPLT's objectives are conservative in nature, it will not initially invest in or sustain investments in assets the credit rating of which is below investment grade. Furthermore, all investments will be limited to securities that can be liquidated into a ready market without causing noticeable market distortions.

It is the intent of BPLT that, as endowment portfolio asset growth occurs, the practicality and advisability of alternative asset allocation structures be regularly examined and presented to the Committee for consideration.

Prohibited Investments

Approved investments are limited to those specifically listed below. None other are currently authorized. While this Investment Policy is meant to be flexible and reflective of the changing needs of BPL as well as new developments in financial market conditions, no changes may be made to the approved list of investments without prior consideration and authorization by the Committee.

Investments in real estate, issues denominated in foreign exchange, and issues tied to futures, options and derivatives contracts are currently deemed inappropriate and are specifically prohibited by this Policy, except mortgage derivative securities that are not classified as high risk securities as defined by the Federal Financial Institution Examination Council ("FFEIC") high risk mortgage securities test.

Investment Performance Evaluation

Investment objectives are intended to provide quantified benchmarks against which the progress toward long-range investment goals can be measured. Primary and secondary objectives have been established.

Primary objectives are those which should be attained if the assets are well invested. Well invested means that, within the framework of BPLT's Investment Policy, the assets are generating returns sufficient to insure that long range goals will be met.

Secondary objectives are measured over a shorter time span than primary objectives. BPLT recognizes the short time horizon provided by the secondary objectives. The investment manager should not infer this is an appropriate time frame in which to develop

and implement investment strategy. Secondary objectives are not considered of equal importance and for this reason have been prioritized.

Meeting secondary objectives will not necessarily ensure all long range goals will be met. However, these objectives can serve as an early indication of the progress toward meeting the more fundamental primary objectives. Meeting long-term investment objectives is of first concern.

Primary Objectives
The total fund returns should equal or exceed a composite market index comprised of equity, fixed income and cash equivalent indices weighted in the same monthly proportions as the portfolio or a comparable measurement.

Secondary Objectives
The annual returns generated by the equity portion of the invested Endowment assets should equal or exceed the return of the respective indices of the investment classes. The annual return of the fixed income portion of the invested Endowment assets should exceed the return of the Lehman Intermediate Bond Index.

Endowment Assets

Qualifying Investments:

U.S. Treasury Securities
U.S. Agency Securities
Commercial Paper (rated A-1/P-1)
Certificates of Deposit (not to exceed $250,000 in value from any one institution)
Bankers Acceptances (from qualifying $2 billion commercial banks)
Money Market Mutual Funds
Repurchase Agreements
Corporate Debt Securities (investment grade)
Equity Securities (listed on N.Y.S.E. or N.A.S.D.A.Q.)
Mutual funds whose asset size exceeds $250 million
Mortgage Back Securities not classified as high risk securities by FFEIC

Maturity:

Maturities will be established to meet anticipated cash needs of the Endowment funds. In no instance will average maturity for all Endowment assets exceed 7 years. In no instance will final maturity of Endowment assets exceed 30 years.

Liquidity:

No investments will be made which are not liquid in nature and for which a secondary market does not exist at time of purchase.

Concentration:

No more than 10% of the assets taken at cost shall be invested in the securities of any one issuing corporation at the time of purchase.
No more than 30% of the assets taken at cost shall be invested in any one industry at the time of purchase.
No more than 15% of stocks taken at cost can be invested in companies with a market capitalization of less than $250 million.
No limitations are placed on investments in U.S. Government guaranteed obligations.
No more than 10% of the assets taken at cost shall be invested in investments guaranteed by the Government National Mortgage Association, Federal National Mortgage Association, Federal Home Loan Mortgage Corporation, Federal Housing Administration, or Veterans Administration.

Asset Allocation:

It is BPLT's intent to pursue an endowment portfolio mix of assets which generally targets:

Equities:	45% to 75%
Fixed Income, Cash and Cash Equivalents:	25% to 55%

Administrative Items

Review of Policies:

The Committee will review investment policies and investment management guidelines no less than once a year.

Review of Investment Performance:

Investment manager(s) and the Committee will meet no less than once a year to review investment results. The Committee will determine if more frequent reviews are required.

Reporting:

Investment advisors will provide a written report on investment results in a form acceptable to the Committee on a quarterly basis.

Adopted by Library Board December 21, 1998
Revised January 25, 2010