

## GLEN ELLYN LIBRARY FOUNDATION INVESTMENT GUIDELINES

### Preamble

All funds of the GLEN ELLYN LIBRARY FOUNDATION are held by the Board of Directors as a fiduciary. Therefore, even the legally unrestricted funds of the organization are held by the corporation as a steward for the sake of carrying out its missions and objectives. The following investment objectives and directions are to be judged and understood in light of an overall sense of stewardship.

### Standard of Care

The Board of Directors should exercise ordinary business care and prudence under the facts and circumstances prevailing at the time of the action or decision.

### Delegation

The Board of Directors has delegated supervisory authority over its financial affairs to the Treasurer or President of the Board. The Treasurer or President is responsible for regularly reporting on investments to the full Board at its regularly scheduled meetings. In carrying out the responsibilities of the Treasurer or President, the Treasurer or President will act in accordance with these investment Guidelines. The Board reserves to itself the exclusive right to revise these Guidelines.

The Board of Directors is authorized to retain one or more Investment Counselors to assume the investment management of funds and assets owned or administered by the GLEN ELLYN LIBRARY FOUNDATION. In discharging this authority, the Treasurer or President can act in the place and stead of the Board of Directors and may receive reports from, pay compensation to, and enter into agreements with such Counselors. The Board may also grant exceptions to the Investment Guidelines when appropriate.

### Objectives

The primary investment objective of the GLEN ELLYN LIBRARY FOUNDATION is to preserve and protect its assets by earning a total return appropriate to time horizons, liquidity needs, and risk tolerance.

### Asset Mix

To accomplish the GLEN ELLYN LIBRARY FOUNDATION's investment objectives, the Treasurer or President is authorized to utilize portfolios of equity securities (common stocks and convertible securities), fixed-income securities, or mutual funds containing a mix of equity securities and fixed-income securities and cash, and short-term (cash) investments. As a guide to accomplishing these objectives, the Board may establish ranges of the mix of these securities and investments which can be modified from time to time by the Treasurer or President with the approval of the Board.

## Asset Quality

**1. Common stocks** - The Treasurer or President may invest in any unrestricted, publicly traded common stock that is listed on a major exchange or a national, over-the-counter market that is appropriate for the portfolio objectives, asset class, and/or investment style of the fund that is to hold such shares.

**2. Convertible preferred stock and convertible bonds** - The Treasurer or President may use convertible preferred stocks and bonds as equity investments. The quality rating of convertible preferred stock and convertible bonds must be BBB or better, as rated by Standard & Poor's, or Baa or better, as rated by Moody's. The common stock into which both may be converted must satisfy the standard specified in Section I.

**3. Fixed-income securities** - The quality rating of bonds and notes must be "A" or better, as rated, by Standard & Poor's or Moody's. The portfolio may consist of only traditional principal and interest obligations (no derivatives) with maturities of seven years or less.

**4. Mutual funds** - The Treasurer or President may invest in mutual funds rated three stars or better by Morningstar at the time of purchase. The mutual funds shall be invested primarily in common stocks, convertible preferred stock and convertible bonds, and fixed-income securities of the type and quality delineated herein.

**5. Cash/Cash equivalents** - The quality rating of commercial paper must be A-1, as rated by Standard & Poor's, P-1, as rated by Moody's, or better. The assets of any money market mutual funds must comply with this standard and/or quality provision for fixed-income securities.

## Asset Diversification

As a general guideline, the Treasurer or President will maintain reasonable diversification at all times. The Treasurer or President may not allow the investments in the equity securities of any one company to exceed five percent of the portfolio nor the total securities position in any one company to exceed ten percent of the total portfolio. The Treasurer or President shall also maintain reasonable sector allocations and diversification. In that regard, no more than 25 percent of the entire portfolio may be invested in the securities of any one sector.

Asset diversification may be accomplished through investment in mutual funds.

## Portfolio Changes.

All sales and purchases of investments will be approved in advance by vote of a majority of the Foundation Board directors.

These investment guidelines are approved by the Foundation Board on April 13, 2010