

**University of Maine Foundation General Endowment Pool
 Executive Summary of Investment Policy Statement
 As of December 31, 2009**

Type of Plan: General Endowment

Current Assets: \$135,000,000

Time Horizon: 15 Years

Expected Return: 10%

Spending Policy: 5 ½% of a 6 year rolling average

Asset Allocation:

	<u>Lower Limit</u>	<u>Strategic Allocation</u>	<u>Upper Limit</u>
EQUITIES			
US Large Cap Equities	20%	30%	40%
US Small/Mid Cap Equities	0%	7%	15%
Developed Non-US Equities	0%	10%	20%
Emerging Markets Equities	0%	5%	10%
REAL ASSETS			
Real Estate	0%	0%	5%
Natural Resources	0%	3%	8%
HEDGE FUNDS			
Long/Short Equity Hedge Funds	5%	15%	20%
Multi-Strategy Hedge Funds	5%	15%	20%
FIXED INCOME			
Core Fixed Income	0%	10%	20%
Opportunistic Credit	0%	5%	10%
CASH	0%	0%	5%

Evaluation Benchmark: Total return net of fees to exceed the performance of a policy index based upon the strategic asset allocation of the Fund to various broad asset classes. Specifically, the policy index will be a weighted index comprised of:

- 30% S&P 500
- 7% Russell 2000 Small Cap Index
- 15% MSCI EAFE Gross
- 15% Barclays Aggregate
- 15% HFRI Hedge Fund of Funds Diversified Index
- 15% HFRI Hedge Fund of Funds Strategic Index
- 3% DJ/AIG Commodities Index

The University of Maine Foundation General Endowment Pool Investment Objectives and Guidelines

Revised as of December 31, 2009

INTRODUCTION

The Investment Committee, appointed by the Board of Directors of the University of Maine Foundation, sets forth, herewith, its Statement of Investment Policy, Objectives and Guidelines for the assets in the General Endowment Pool entrusted to it for supervision, guidance and investment management.

This statement is set forth in order that:

1. There is a clear understanding on the part of the Investment Committee and the Board of Directors of the policies and objectives employed in the management of the various categories of the General Endowment Pool's assets.
2. The investment managers are given guidance as to the parameters established for each of the General Endowment's managers.
3. The Investment Committee may make investment decisions within the parameters set forth by the Board of Directors.
4. Setting forth policy so that the Investment Consultant and other advisors to the General Endowment Pool can implement the investment decisions of the Investment Committee.

It is the intent of this statement to establish an attitude and/or philosophy to guide each investment manager toward the performance desired. It is intended that objectives be sufficiently specific to be meaningful, yet sufficiently flexible to be practical.

OBJECTIVES

General Endowment Fund: It is the goal of the aggregate Fund assets, reported net of fees, to exceed, over the long-term:

- An absolute rate of return of 10%;

- The Evaluation Benchmark agreed upon by the Investment Committee; and
- A total rate of return equivalent to the upper quintiles of the returns reported by all sized institutions in the NACUBO report over various time frames.

The Board has outlined under separate cover a valuation undertaken to determine distributions to the University. These distributions will be paid in equal installments September 30 and January 31. The Endowment has a “pay over” quota of 5 ½% of a 6 year average account value of the General Endowment Fund. The Board will notify all managers of any alteration in this policy on a timely basis.

In addition to quarterly and annual reviews, a major evaluation of the investment manager will be made after a 3 – 5 year period or a completed market cycle. The Board of Directors expects these objectives to be fulfilled within the levels of risk that a prudent man would take under various economic conditions.

SPECIFIC INVESTMENT GUIDELINES

In order to give the Investment Committee, Investment Consultant, and Investment Managers a clearer picture of the feeling of The Board of Directors we had determined our attitudes as to the market as follows:

1. Liquidity – A minimum of 45% daily liquidity shall be maintained in the portfolio at all times. Assets in the portfolio that are not liquid on a daily basis shall not exceed the following:

	<u>Upper Limit</u>
Liquid 30 days or Less	5%
Quarterly	25%
Annually/Semi Annual	20%
Three years or more	10%

2. Risk Management – The University of Maine Foundation Board feels that it is vitally important to protect its investment portfolio by making reasonable efforts to control risk during volatile times. The Foundation has established a Crises Investment Management Plan that outlines steps to be taken in case of crises or looming crises. This Plan shall act as an Appendix to the Investment Policy Statement.
3. Investment Philosophy - It is the investment philosophy of the Board of Directors that the type of investment assets held by the funds should vary from time to time in response to changes in the economy and prospects for

maximizing the return on these assets. As a result, the investment manager may elect to invest heavily in cyclical securities, defensive securities or fixed income assets. The manager is free to invest in assets of varying risk as long as risks are compatible with the section of the statement dealing with that subject.

4. Delegation of Authority – the investment managers will be held responsible for all investment decisions regarding the assets in their account and will be accountable for the objectives indicated herein while observing specific limitations set forth in this memorandum and conforming to the guidelines and philosophies stated herein. It is the opinion of the Board of Directors that these limitations and guidelines will not prevent the investment manager from achieving the objectives set forth.

5. Types of Assets – In order to provide the investment manager with freedom to invest in various types of assets. Prohibited investments include, but are not limited to the following:
 1. Commodities and Futures Contracts (with the exception of those made within “Alternative Investments” as approved by the Investment Committee).
 2. Private Placements
 3. Options (with the exception of those made within “Alternative Investments” as approved by the Investment Committee).
 4. Limited Partnerships (with the exception of those made within “Alternative Investments” as approved by the Investment Committee).
 5. Venture-Capital Investments (with the exception of those made within “Alternative Investments” as approved by the Investment Committee).
 6. Real Estate Properties (with the exception of those made within “Alternative Investments” as approved by the Investment Committee).
 7. Leveraged Derivatives (with the exception of those made within “Alternative Investments” as approved by the Investment Committee).

6. Investor Responsibility – The Board of Directors recognizes the Foundation’s role as a responsible investor. Within the primary purpose of managing endowment funds to maximize return with an appropriate level of risk, the Investment Committee will regularly review investments that might cause concern to the donors or potential donors. In exercising its responsibility, the Committee may vote or instruct the manager to vote properly drafted proxies that relate to social responsibility issues, communicate directly with management on such issues, and/or recommend other actions to the Board of Directors.

7. Diversification of Equity Securities – The Board of Directors does not believe it is necessary or desirable that equity securities held in the funds represent a cross section of the economy. The investment manager will be allowed to choose the degree of concentration (or lack thereof) in any industry up to a maximum limit of 20% in any one industry as classified by the Global Industry Classification Standard (GICS) (at cost) and not more than 10% in any one company.
8. Diversification by Investment Manager – It is the belief of the Board of Directors that no individually managed portfolio should exceed 12.5% of the total fund. If an individual portfolio balance exceeds 12.5% of the general fund balance for two consecutive calendar quarters, the investment committee should review the position to consider rebalancing below 12% of the total fund balance.
9. Asset Distribution – It is the belief that a maximum limitation should be set on the amounts of certain types of assets within the portfolio. Thus, the investment manager must invest according to the limitations set forth in this statement. It is the investment manager's responsibility to invest in those assets which he feels will best enable the portfolio to achieve the performance goals.
10. Investment Markets – Equities – The maximum limitation for investment in equity securities is 85% while the minimum limitation is 20%. This limitation applies to the Endowment as a whole, and therefore individual managers hired to solely provide equity or balanced management services may fall under a different set of constraints. At the time of hire, each manager will be presented with specific guidelines as to levels of equity exposure as well as individual benchmarks appropriate to the manager and the respective asset class.
11. Investment Markets – Fixed Income – It is the philosophy of the Board of Directors that fixed income investments should be included in the Endowment portfolio as a whole. The maximum limitation of such assets is 40% while the minimum limitation of such assets is zero. It is the philosophy of the Board of Directors that such assets, when held, should be managed.
12. Guidelines for Fixed Income Investments - The percentage of all fixed income assets rated below Investment Grade by one of the major reporting agencies (Standard and Poor's and Moody's) can not exceed 30%. Fixed income maturity restrictions are as follows: Weighted average portfolio duration should not exceed 1.5x duration of Barclays Aggregate Bond Index. Money Market funds shall contain securities whose credit rating, at the

absolute minimum, would be rated investment grade by Standard & Poors, and/or Moody's.

13. Mission-Relating Investing – It is the intention of the University of Maine Foundation to reduce any dissonance between our asset management – the way we make our money – and our institutional mission. We embrace notions of prudence and fiduciary responsibility that include a concern for these commercial institutions who, through gifting, volunteering, instructing and/or other forms of support, help foster our mission. We will recognize those institutions who demonstrate clear and substantial support for our mission and, therefore, for The University of Maine. Investments made under the mission-related program should be identified as such and the total of said investments should not exceed 10% of the general endowment fund.

MEASUREMENT OF PERFORMANCE AND REPORTING REQUIREMENTS

The Investment Committee and the Board of Directors will review overall performance at least quarterly. This review will relate performance vs. overall objectives and in comparison to capital market return as evidenced by various market indices. Relative performance considerations provide additional verification of a manager's ability to meet stated goals and objectives on a comparative basis versus the indices as outlined.

REVIEW MEETING, COMMUNICATIONS, AND RECOMMENDATIONS

It is the desire of the Investment Committee to meet quarterly with the investment consultant to provide the following:

1. Review the past, present, and prospective economic climate in relation to investment strategy.
2. Allow the Investment Committee to understand the investment strategy being used to fulfill the standard objectives.
3. Permit the Investment Committee to understand the risk levels of the securities represented in the portfolios.
4. Review trends in performance levels in relation to stated objectives.
5. Review the University of Maine Foundation General Endowment Fund's Investment Guidelines and Objectives.
6. The Investment Consultant will provide the management of the Foundation with materials and proposed recommendations in ample time for evaluation to allow them to review and resolve questions and concerns and discuss with the Investment Committee Chair prior to the meetings.
7. Aggregate Total Fund Risk will be monitored on an annual basis.

8. All fees will be reviewed on an annual basis to ensure that they are reasonable and competitive.

Other communication between the investment consultant, the investment managers, the President/CEO of the Foundation, the Investment Committee, and the Board of Directors will be as warranted.

Adopted by the Board of Directors on February 24, 2010: