

INVESTMENT POLICY AND GUIDELINES

Originated with Finance Committee
Proposed to Executive Committee: 11/14/02
Approved at Full Board First Reading: 6/26/03
Adopted at Full Board Second Reading: 10/30/03
Revision originated with Finance Committee
Revision *approved* at Full Board First Reading: 10/25/07
Revision *adopted* at Full Board Second Reading: 1/10/08

I. GENERAL

The Purpose of this Investment Policy and these Guidelines is to define Thetford Academy's ("Academy") investment objectives in order to develop a strategy to achieve these investment goals. This statement establishes the responsibilities of the investment manager and oversight objectives of the Academy's Board of Trustees. Professionally managed Academy funds, as well as funds under the direction and guidance of employees and Academy Trustees, shall be governed by these policies.

The Board of Trustees is a fiduciary body and is responsible for directing and monitoring the investment and management of the Academy's funds. Within the broad framework of the Investment Policy and Guidelines set forth by the Board of Trustees herein, the Finance Committee ("Committee") shall be directly responsible for the oversight and management of the Academy's funds and for the establishment of investment policies and procedures. The Committee is authorized to delegate certain responsibilities to professionals in various fields. Such professionals may include investment managers, consultants, custodians, attorneys, auditors, actuaries, and others who may assist the Committee in the prudent administration of the Academy's funds.

II. OBJECTIVES AND GOALS

The investment objective of the Academy is to obtain a reasonable total return commensurate with prudent investment of assets. Emphasis will be placed on safety of principal, growth of principal over time, and reasonable income return. The Trustees shall make investments and designate investment managers in keeping with their fiduciary responsibilities to the Academy, donors, and students served. All investments shall be in accordance with these general guidelines and conform to all requirements of the applicable laws of the State of Vermont. Assets of the Academy not held by a professional investment manager include but not are limited to: real estate, timber, mutual funds, checking accounts, money market accounts, stocks and bonds. These investments shall also be managed in accordance with the overall objectives of this policy.

The Academy is currently holding assets in the following categories:

Unrestricted Endowment: These assets consist of holdings in stocks, bonds, and/or mutual funds. The Unrestricted Endowment is held for the general use of the Academy at the discretion of the Board of Trustees.

The Academy has adopted a spending policy limiting withdrawals to 4.5% of the three year moving average of the portfolio's market value, based on fiscal year-end value, beginning June 30, 2007. Amounts up to this limit not expended in a given year may be allocated as a reserve for spending in future years. Approval of the use of Unrestricted Endowment funds at a level exceeding this spending policy requires the approval of two-thirds of the Trustees present at meeting for which there is a quorum.

The Academy's overall objective is to have the Unrestricted Endowment outperform, net of investment management fees, a comparable market portfolio over a typical market cycle, which is assumed to be three to five years. For measurement purposes, the following indices will be used: the Standard and Poor's 500 Index and the Lehman Intermediate Government/Corporate Bond Index.

Restricted Endowment: These assets of the Restricted Endowment are currently invested in mutual funds indexed to the stock and bond market. The Restricted Endowment is primarily invested for the production of income that is awarded each year as scholarships and funding for special purpose non-budgeted activities. It is the goal of the Restricted Endowment to generate income and capital appreciation that exceeds the inflation rate and keeps pace with the rising costs of higher education. This will be accomplished by retaining a portion of annual income in order to increase a fund's principal balance with the objective of producing increased future earnings.

Most of the Restricted Endowment funds are established with a one time gift or bequest. Each restricted fund must be accounted for separately with a record of the principal amount of the gift and the income the gift has earned and disbursed. The assets of each fund can be combined into one or more mutual fund accounts. Normally, awards should only be made from the income portion of the fund balance and/or consistent with donor instructions. Awards contrary to donor instructions or that would significantly impair the principal balance should be studied by the Committee and approved by the Executive Committee of the Board of Trustees. Disbursements from accumulated income should be consistent with the goals of ensuring that the fund can make awards each year, that the awards are similar in size from year to year and keep pace with inflation, and that the overall size of the fund keeps pace with inflation.

Operating Fund: These assets are held in checking accounts and money market funds. They should be invested consistent with their expected use over a short period of time for the general operations of the Academy. When possible, funds in excess of one month's cash flow needs should be invested in short term certificates of deposit or in money market funds which have the policy of maintaining a constant share value of \$1.00.

III. RISK

The investment objective of the Academy is expected to be accomplished without

undue risk exposure and within the framework of ordinary business care and prudence under the facts and circumstances prevailing at the time of the action or decision. It is an objective of this investment policy to minimize the probability of losses in any given year relative to those of appropriate market indices. The volatility of returns of the Standard & Poors' 500 Stock Index and the Lehman Government/Corporate Bond Index will be used as the benchmarks for risk evaluation. Risk evaluation will also take into account such qualitative factors as portfolio diversification and credit quality.

IV. PORTFOLIO GUIDELINES

A. The portfolio of the Unrestricted Endowment will generally include appropriate diversification of assets amongst industries and asset classes. It is understood that these limits will be monitored and maintained by the investment manager.

B. Approved cash equivalents are U.S. Government and Government Agency Obligations, Certificate of Deposit of major money center banks, Perfected Repurchase Agreements and Commercial Paper rated A-1/P-1 by Standard & Poor's and Moody's. Maturities shall be limited to one year or less. No single issuer used in this section (exception: U.S. Government and Government Agency obligations) may exceed 5% of the investment manager's section of the fund at current market valuation.

Subject to the above criteria and other constraints as they might relate to issuers of notes, pooled short-term investment funds may be utilized. Compliance with quality and diversification requirements will be considered by issuer within the fund, not as one security.

C. Common Stock and Convertible Securities: To achieve the desirable quality and liquidity levels, it is anticipated that all of the equity securities will continue to be of institutional quality and will be ranked for earnings and dividend performance by Standard and Poor's Corporation as B+ or better or rated for financial strength by Value Line, Inc. as B++ or better. No more than 5% of the investment manager's portfolio market value may be invested in the securities, bonds or equity, of any one issuer without the specific written approval of the Committee.

D. Fixed Income and Securities: Except for the U.S. Government and Government Agency obligations, all securities in this section shall be rated BBB by Standard and Poor's or BAA by Moody's. No more than 5% of a fixed income portfolio may be invested in the securities of any one issuer or issue, with the exception of the U.S. Government or Government Agency obligations, without the specific written approval of the Committee. Maturities shall not exceed 30 years; no zero coupon or private placement issues will be permitted.

E. Preferred Stock: Preferred stock rated single-A or better will be permitted provided no individual issue exceeds 5% of the portfolio.

F. Other Investments: All other forms of investments, including the purchase of foreign securities, options, and derivatives will require specific written approval of the Committee.

VI. INVESTMENT MANAGERS

Investment managers are fully responsible for development and implementation of the portfolio strategy and tactics with consideration of the factors set forth herein. The performance of investment managers will be evaluated on a long-term basis using at least a three-year period. All investment managers are expected to perform within the top quartile of a representative group of investment managers and to provide reports of independent evaluation services confirming the same upon request.

VII. COMMUNICATIONS

The Academy requires awareness of investment activity and the portfolio's position both absolute and relative. To accomplish this, the following reports will be required:

A. Monthly: Reports should be received each month from the investment manager, which detail the prior month's investment activity. The report should include opening balances, purchase and sales transactions, interest income, dividend income, management fees and ending balances with the market valuation of holdings.

B. Quarterly: Performance measurement and/or valuation reports will be supplied to provide current statistics on total rate of return and investment expenses; risk, such as providing an alpha and beta report for the equities portfolio; and a one-year investment outlook. Reports shall present quarterly, year-to-date and since inception rates of return, as well as benchmark returns, i.e., Standard and Poor's 500 and Lehman Government Corporate Bond Index for the respective periods.

C. The investment manager will report semi-annually in a meeting with the Committee on the status of endowment funds, investment performance and such other matters as are material with respect to the care and custody of the endowment funds.

D. The Business Manager will report to the Board quarterly on the balance and earnings of all funds held by the Academy.

E. Other: When, in the opinion of the investment manager, a material change in the status of the portfolio (in terms of this investment policy or otherwise) is anticipated, or required, the investment manager shall communicate such information to the Committee with an appropriate recommendation, if any, for action.

If the investment manager feels that these objectives cannot be met, or the guidelines constrict reasonable performance, they shall notify the Academy, in writing, setting forth those areas, which they feel limit the attainment of the investment goals, set forth above.

If any waiver or exemption from these guidelines is requested, such request should be made to the Thetford Academy at Post Office Box 190, Thetford VT 05074.

Should any of these directives, objectives or guidelines be changed, this document will be amended and furnished to the investment manager.