

**ROTARY CLUB OF LAKEWAY/LAKE TRAVIS FOUNDATION, INC.  
INVESTMENT POLICY STATEMENT  
Adopted April 19, 2007**

**I. Statement of Purpose**

The intent of this Investment Policy Statement is to establish guidelines that will govern the investment activities of the Rotary Club of Lakeway/Lake Travis Rotary Foundation, Inc. ("The Foundation"). The policies and guidelines set forth herein are intended to be sufficiently specific to be meaningful, but flexible enough to allow for changes in the Foundation circumstances, securities markets and the economy.

**II. Delegation of Responsibilities**

The Foundation's Board of Directors ("The Board") has overall authority for the Foundation's Investment Policy and hereby delegates to the Foundation's Treasurer ("The Treasurer") the responsibility for administration of the investment policy. The Board will maintain oversight authority for the overall investment management process.

**III. Duties of the Treasurer**

Without limiting the Treasurer's authority, the Treasurer shall have responsibility for: (i) proposing investment policies and strategies for Board approval, (ii) managing the portfolio in compliance with the Board approved policies and strategies, (iii) authorizing the acquisition and/or disposition of investments, and (iv) reporting at least quarterly to the Board a financial summary of the Foundation's investments and on all material matters relating to the investment portfolio.

The Board recognizes that no policy can anticipate all situations, conditions and opportunities that may arise. Therefore, the Treasurer is empowered to make investment decisions based on known information. The Treasurer should not deviate from this investment policy; however, any deviations must be reported promptly to the Foundation President and to the Board at the next regular meeting of the Board.

**IV. General Investment Principles**

1. Investments shall be made solely in the best interest of the Foundation and consistent with the policies, objectives and strategies established by the Board.
2. The total portfolio shall be invested with care, skill, prudence, and diligence under the prevailing circumstances that a prudent person in a like position would exercise under similar circumstances and in a manner the Treasurer reasonably believes to be in the best interest of the Foundation and in compliance with Board approved policies and strategies.
3. Investment of the Foundation's longer term assets shall be broadly diversified so as to minimize the risk of large losses in individual investments of the portfolio.

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4. The Foundation may employ investments of varying styles and philosophies to attain the overall investment objectives.
5. Cash is to be employed productively at all times by an investment in short term cash equivalents to provide safety, liquidity and return. To deposit receipts and pay Foundation expenses and grants, bank accounts are maintained. The Foundation has checking and/or savings accounts in Lakeway, Texas with First National Bank and Prosperity Bank.

**V. Investment Objectives**

The primary objectives of the Foundation are to; (1) provide short term financial liquidity to meet Foundation expenses and grants and (2) to investment longer term funds to achieve a satisfactory rate of return.

To achieve financial liquidity to meet the requirements of the Foundation for expenses and grants, the Treasurer will invest in short term interest bearing Bank or Brokerage accounts and Certificate of Deposits with maturities generally of six months or less. At current expense levels, short term funds will average between \$25,000 and \$50,000. Primary uses of short term funds are to pay scholarship grants and to fund the annual car raffle activities including the purchase of the raffled car.

The primary investment objective for longer term funds shall be to achieve a rate of return over any three year period that is greater than the increase in the Consumer Price Index. Longer term funds are currently invested in a brokerage account with TD Ameritrade.

**VI. Asset Allocation**

Based on the Foundation's objectives, circumstances and liquidity requirements; the Board has approved the following asset mix guidelines for longer term assets:

	<u>Target</u>	<u>04/07</u>	<u>Investment</u>
Cash Equivalents/Fixed Income	30%	28%	CD (\$41,000)
US Equities	45%	48%	S&P 500 Index (VFINX) Mutual Fund (VWNFX)
Non-US Equities	<u>25%</u> 100%	<u>24%</u> 100%	Eafa Index (VWO)

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**VII. Volatility of Returns**

The Foundation recognizes that in order to achieve its objectives for the Foundation's assets, the investments will experience volatility of returns and fluctuations in market value. The Foundation will tolerate some volatility as measured against the S&P 500 index or other standard market indices deemed appropriate by the Board.

**VIII. Marketability of Assets**

The Foundation assets shall be invested in liquid securities including Certificates of Deposits and/or publicly-traded securities, subject to the exception process described in this Investment Policy Statement. Liquid securities are those that can be transacted quickly and efficiently for the Foundation absent significant liquidation penalties or fees and with minimal impact on market price.

**IX. Investment Guidelines**

It is the Foundation's intention not to employ market-timing techniques and not to experience high portfolio turnover rates. The President and/or Treasurer are hereby authorized to approve the investment of assets in any investment except those prohibited by Paragraph 2 of this Article IX.

The following pre-set boundaries apply to the investment of the Foundation's assets:

1. Specifically allowable investments
  - a. Cash equivalents
    - Treasury bills/ Commercial paper
    - Money market funds/Brokerage Accounts
    - Certificates of Deposit
    - Interest bearing checking/savings accounts
  - b. Publicly traded fixed income securities
    - U.S. government/agency securities
    - Corporate notes and bonds
    - Mortgage-backed bonds
    - Preferred Stock

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- c. Publicly traded equity securities
    - Common stocks
    - Convertible preferred stocks, notes and bonds
    - ADR Receipts of non-U.S. Companies
  - d. Mutual Funds (open and closed end) which invest in securities that are allowed in this Statement.
  - e. Exchange Traded Funds which invest in securities that are allowed in this Statement.
2. Specifically unallowable investments or investment practices (without prior written approval from the Board or inside mutual funds).
- Debt financed investments, including margin purchases
  - Commodities
  - Short selling
  - Derivative securities, including options and futures contracts
  - Restricted stock/ Closely-held companies
  - Fixed or variable annuities
  - Real estate and real estate investment trusts
  - Partnerships
  - Debt instruments issued by foreign governments
  - Loans to individuals or businesses (except specifically allowed fixed income securities as previously defined)
  - Artwork
  - Other non-marketable, hard-to-value assets

**X. Safekeeping and Custody**

All investment securities purchased shall be held in the name of the Foundation and shall be free and clear of any liens. The investment securities shall be held with a broker/dealer that is appropriately bonded and insured through SIPC.

**XI. Performance Review and Evaluation**

Investment performance shall be measured based on total return; that is, the aggregate return from capital appreciation, dividend and interest income. The investment return will be measured against the S&P 500 index or other standard market indices deemed appropriate by the Board.

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**XII. Investment Policy Review**

To ensure continued relevance to the Foundation's objectives, financial status and capital market expectations, the Board intends to review this Investment Policy Statement at least annually at its October Board meeting.

The undersigned hereby witness the Board approval and adoption of this Investment Policy Statement at the Board meeting held on April 19, 2007.

<u>Don Gray</u> President/Don Gray	<u>4/19/07</u> Date
<u>Donna Wesling</u> Secretary/Donna Wesling	<u>4-19-07</u> Date