

**TRUSTEES OF THE TRUST FUNDS
HAMPTON, NEW HAMPSHIRE**

INVESTMENT POLICY

for

**TRUST FUNDS AND CAPITAL RESERVE FUNDS,
excluding the Hampton Real Estate Trust Fund
and the Library Trust Funds**

Governing Laws

The Board of Trustees shall formally adopt and maintain investment policies for all trust funds and capital reserve funds in their custody. See RSA 31:25 (trust funds) and RSA 35:9 (capital reserve funds).

Classification of Funds

For ease of discussion, funds in the Town of Hampton are classified as follows:

Hampton Real Estate Trust Fund (HRETF): Principal is derived from the sale of leased lots at Hampton Beach. Because of its size and perpetual nature, this trust fund requires specific handling. A separate Investment Policy has been approved by the Trustees.

Library Trust Funds: Trust funds for the benefit of the Lane Memorial Library.

Non-HRETF trust funds: All other trusts funds.

Capital Reserve Funds: All capital reserve funds created by town meeting vote.

This Investment Policy covers the latter two, i.e., the non-HRETF trust funds and the capital reserve funds.

Applicability to Specific Funds

The investment policies for the Hampton Real Estate Trust Fund and the Library Trust Funds are contained in separate documents.

The rest of the trust funds and the capital reserve funds to which this investment policy applies are listed in the latest Town Report.

New Hampshire Public Deposit Investment Pool

The Trustees of the Trust Funds may use the New Hampshire Public Deposit Investment Pool (the "Pool") for investment and safekeeping of funds.

The Pool provides daily liquidity, competitive money market rates, easy access to fund balances, and may be transferred to the Trustees' checking account

within two business days. The Trustees have no investment liability for funds invested in the Pool.

Trust Funds

The non-HRETF trust funds may be invested in the New Hampshire Public Deposit Investment Pool (the "Pool").

Upon specific approval of the Board of Trustees, the non-HRETF trust funds may also be invested outside of the Pool. The following constraints apply when investing outside of the Pool:

Primary Investment Goal: Safekeeping of the principal and accrued income.

Secondary Investment Goal: Maximizing income earned on the principal.

Tertiary Investment Goal: Long-term growth of principal and income.

Allowable Investments:

- Certificates of Deposit at banking institutions that are federally insured and that are fully collateralized in excess of the insured amounts with cash or legal securities as determined by the State Banking Commissioner pursuant to RSA 386:57.
- Mutual fund portfolios with a fund style (asset allocation) of "income" or "balanced."

Risk Tolerance: Trust fund investments shall be invested with no more than a moderate risk. The standard deviation of mutual funds shall not exceed 10.

Expense Ratios: Mutual funds used for the investment of trust funds shall have a recent annual expense ratio of less than 0.75%.

Liquidity: Income from trusts shall be expended for the purpose of the trusts at least annually, subject to extenuating circumstances. To that extent, investments shall be those that produce income and readily allow for periodic income distributions.

Time Horizon: Ten-year time horizon.

Duration: The duration of bonds within a mutual fund portfolio shall not be greater than ten years.

Credit Quality: The credit quality of bonds within a mutual fund portfolio shall predominantly be rated 'A' or better by Moody's Investor Service.

Portfolio Turnover Rate: The three-year average annual portfolio turnover rate within a mutual fund portfolio shall not be greater than 150%.

Diversification: Mutual funds shall be broadly diversified. Sector funds are not allowed.

Capitalization: Mutual funds shall be selected across broad ranges of capitalization, including large-, medium- and small-capitalization companies.

Capital Reserve Funds

The capital reserve funds shall be invested in the New Hampshire Public Deposit Investment Pool (the "Pool"), or in open-end management-type investment company money market funds that are of the highest quality custodied at major national custodians.

Additions and withdrawals to and from capital reserve funds may only be transacted by Town Meeting or Village District vote.

Approvals

The investment policy for the Non-HRETF trust funds and capital reserve funds, with the exception of the Library trust funds, shall be approved by the Board of Trustees.

The Chairman of the Board of Trustees shall coordinate the approval of the investment policy for the Lane Memorial Library with the Library Trustees, or appoint another Trustee in his or her stead for this purpose.

Performance Measurement

The Trustees shall monitor the investment performance of the trust funds and capital reserve funds. The annual beginning and ending balance figures shall be cross-checked by the Bookkeeper to ensure the total return is consistent with the investments during the year.

Annual Review of Investment Policy

The Board of Trustees shall document their annual review and confirmation of this investment policy in their regular minutes.

Commingling of Accounts

Common trust funds may be used to facilitate investing, to provide diversification and to obtain reasonable income. See RSA 31:27. Participation in units of the Pool is one such common fund.

Each capital reserve fund shall each be kept in a separate sub-account and may not be commingled with other Town funds. See RSA 35:9. A sub-account within the Pool or a sub-account in a commercially-available portfolio management system is acceptable separation for a capital reserve fund.

Investment Advisor Fees

The fees for the NH Public Deposit Investment Pool and money market funds are pre-deducted daily from the interest posted. No vouchers for fees are required.

Recordkeeping

The Bookkeeper is responsible for posting the income to each trust fund and capital reserve fund, the execution of which may be delegated to an administrative assistant or coordinator.

The Bookkeeper shall perform or otherwise oversee the annual reconciliations of trust funds and capital reserve funds.

The Trustees' books and records, including approval of the investment policies, shall be archived for permanent retention. See RSA 33-A:3-a.

The Trustees' paper records shall be electronically archived for long-term preservation.

The electronic records shall be backed up and stored in a separate location from the main electronic archives. The backup shall include the trust documents, books, records and reports to the extent that they are available.

Reports

The Bookkeeper shall apprise the Board of any transactions in trust funds or capital reserve funds that could potentially be in violation of the investment policy established in this document.

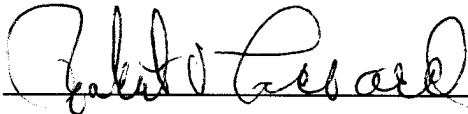
A copy of this investment policy shall be filed annually with the NH Attorney General, per RSA 31:25.

Responsibilities

The Chairman of the Board of Trustees is responsible for monitoring and enforcing this Investment Policy.

Adoption

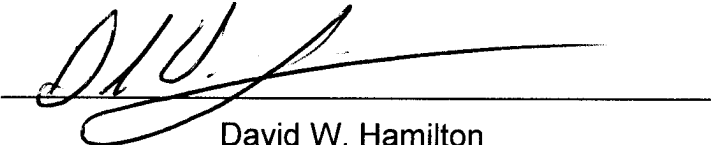
Adopted by the Board of Trustees:



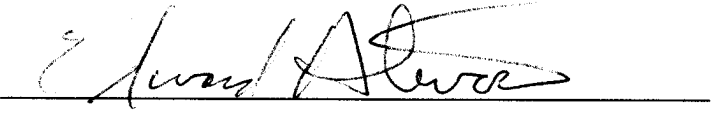
Robert V. Lessard



Frances Quinn



David W. Hamilton



Edward Atwood



Warren J. Mackensen

Date: November 17, 2008