BLUE MOUNTAIN COMMUNITY FOUNDATION

POLICY MANUAL

SPENDING POLICY

I. PURPOSE OF SPENDING POLICY

The Foundation’s spending policy determines the amount the Foundation will make available for distribution from its component endowment funds in a given year. The amount available for spending is determined by a total return system, with intent to minimize the likelihood of the original contribution(s) to a fund being invaded.

II. DETERMINATION OF SPENDING RATE AND BUDGET

The spending rate will be determined and recommended by the Investment Committee and approved by the Board of Trustees as needed. The spending budget for the next fiscal year will be calculated based on the 12 quarter rolling average of the market value of the endowed portion of each fund, ending June 30th of the current year. The amount available will be removed from the Long Term Pools in the first half of each fiscal year and placed into a liquid interest bearing account available for disbursements.

A “floor” and “ceiling” calculation will be used to ensure fair and prudent distributions. The purpose of the “floor” is to take into account significant gifts that are made to the endowed balance of a fund during the 12 quarter period. The purpose of the “ceiling” is to ensure that, in a period of severe market decline, the Foundation does not distribute too large a portion of the current value of a fund.

The distribution that may be spent, as determined in this paragraph, may be drawn from both ordinary income earned (i.e., dividends, interest, rents, royalties, etc.) and principal including appreciation, both earned and unearned.

There will be no granting permitted for any fund managed as an endowment fund until it has been at the Foundation for four quarters, unless a gift has been specifically allocated to the Available to Spend balance for granting purposes. Pass thru and non-endowed funds do not have the four quarter restriction. For the purpose of this calculation, a gift that arrives at the Foundation on any day within a calendar quarter will be considered to be at the Foundation for the entire quarter.

III. SPENDING CALCULATION
The calculation involves three steps, as follows:

A. 12-quarter rolling average of the principal balance is determined.
   a. If the fund does not have 12 quarters of history, it is averaged on the number of quarters it has been with the Foundation.

B. The balance is multiplied by a spending rate as follows.
   a. The amount available to be spent in fiscal year 2012 (7/1/2012-6/30/2013) will be 5% of the figure calculated in “A” above.
   b. The amount available to be spent in fiscal year 2013 (7/1/2013-6/30/2014) will be 4.75% of the figure calculated in “A” above.
   c. The amount available to be spent in fiscal year 2014 (7/1/2014-6/30/2015) will be 4.5% of the figure calculated in “A” above.
   d. The spending rate will remain at 4.5% thereafter unless amended by the Board of Trustees.

C. The figure calculated in “B” is then compared to a “floor” and “ceiling” as follows:
   a. In fiscal year 2012 (7/1/2012-6/30/2013), the spending budget for each endowed fund will not be less than 4% nor greater than 5.5% of the endowed balance as of 6/30/2012.
   b. In fiscal year 2013 (7/1/2013-6/30/2014), the spending budget for each endowed fund will not be less than 4% nor greater than 5.25% of the endowed balance as of 6/30/2013.
   c. In fiscal year 2014 (7/1/2014-6/30/2015), the spending budget for each endowed fund will not be less than 4% nor greater than 5% of the endowed balance as of 6/30/2014.

<table>
<thead>
<tr>
<th>Timing of Distribution</th>
<th>Step A:</th>
<th>Step B:</th>
<th>Step C: Floor</th>
<th>Step C: Ceiling</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY12 (7/1/12-6/30/13)</td>
<td>Based on 12 Quarters ending 6/30/12</td>
<td>5%</td>
<td>4%</td>
<td>5.5%</td>
</tr>
<tr>
<td>FY13 (7/1/13-6/30/14)</td>
<td>Based on 12 Quarters ending 6/30/13</td>
<td>4.75%</td>
<td>4%</td>
<td>5.25%</td>
</tr>
<tr>
<td>FY14 (7/1/14-6/30/15)</td>
<td>Based on 12 Quarters ending 6/30/14</td>
<td>4.5%</td>
<td>4%</td>
<td>5%</td>
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</tbody>
</table>
IV. REVIEW AND REVISION

This Spending Policy will be reviewed and reconfirmed or revised on a regular basis by the Board of Trustees and Investment Committee.

APPROVED THIS 19th DAY OF NOVEMBER, 2013, BY BMCF BOARD OF TRUSTEES.