

Orleans Conservation Trust
Investment Policy and Procedures
4-7-2014 (Amended 3-23-2015, 1-27-2016, 1-22-19, and 10-26-2021)

I. Responsibility for Investment Management

The Trustees of the Orleans Conservation Trust (“the Trust”) have responsibility for management of the Trust’s financial assets, including the Endowment Fund. This responsibility includes the following functions, as further described below:

1. Determine the Trust’s risk tolerance.
2. Establish an asset allocation strategy for the Trust’s investments.
3. Set performance objectives for investments.
4. Select an investment manager or managers, if appropriate.
5. Monitor the cost of the investment program.
6. Review the performance of the investment program at least quarterly.
7. Periodically review this Investment Policy and approve changes in the Investment Policy when they are deemed appropriate.

The Finance and Investment Committee (the “FinCom”) shall be responsible for execution of the Trustees’ decisions on the matters listed above as well as execution of this Investment Policy. The FinCom shall recommend to the Trustees any changes in the Investment Policy which it deems appropriate in view of market conditions or the Trust's financial position.

The FinCom shall monitor the performance of the Trust's investments and confer at least quarterly to review investment performance. Interim conferences may be held at the request of any FinCom member. The FinCom shall present to the Trustees, at least twice a year, a review of the investment performance of the Trust’s financial assets.

The FinCom shall recommend to the Trustees whether management of any or all of the Trust's financial assets should be delegated to a third-party manager. If the Trustees approve such a recommendation, the FinCom shall be responsible for screening manager candidates and for presenting a recommendation for approval by the Trustees. If a third-party manager is engaged, the FinCom shall be responsible for monitoring the manager's performance and, if it deems appropriate, recommending to the Trustees a change of managers.

The FinCom may delegate administrative responsibility for implementation of certain aspects of the Investment Policy to the Treasurer. In addition to the Treasurer, the President and the Chair of the FinCom shall be designated as authorized signatories for each investment account. Other FinCom members may also be so designated if approved by the Trustees.

II. Investment Objectives

The overall objective of this Investment Policy is for the Trust to achieve the highest level of investment performance that is compatible with the Trustees’ risk tolerance and prudent investment practices. Given the long-term nature of the Trust’s purpose, to acquire and hold land forever, the Trust will maintain a long-term perspective in forming and implementing its investment policies and in evaluating investment performance.

At least annually, and with the assistance of any third party managers who have been engaged, the FinCom will recommend to the Trustees for their approval a mix of investments that are intended to meet target rates of return. This recommendation shall include an appropriate asset allocation and diversification strategy for the Trust's financial assets. The Trust's approved risk tolerance and liquidity needs will be taken into account. The goal of the Trust's investment program will be to achieve investment returns that are consistent with the approved level of risk, liquidity needs and overall market performance. The Trust's Endowment Fund will be invested in the same manner as the Trust's other financial assets although the individual investments may differ.

III. Other Considerations

Consistent with the Trust's Investment Procedures (Appendix A), it is expected that at least annually the investment portfolio will be rebalanced to maintain the targeted asset allocation and diversification.

The Trust's financial assets, except for the Endowment Fund, may be co-mingled (or pooled) for purposes of management and investment.

Some of the Trust's funds are reserved for restricted purposes; the Trust must use the funds for the purpose(s) specified by the donors. Some of the Trust's funds are unrestricted surplus put aside and available for any purpose and are held in the General Fund. The Trust's goal is to fund current operations from current dues and donations, but the Trustees may draw on unrestricted funds as approved annually in the budget. Among the funds of the Trust are:

- Thomsen Fund (named after long time Trust President Charles Thomsen) – Restricted. This fund was formerly known and established as the Founders Fund at \$36,000. Income is available for land management/maintenance expenses, as determined annually as part of the budget process.
- Land Acquisition Fund (including Forbes Land Acquisition Fund) – Restricted. These funds are restricted to the purchase of land. The Trust tries to fund new acquisitions with grants, special fund-raising campaigns, and gifts, so this fund is available in the event of a shortfall in fundraising for land acquisition. However, the funds also may be used independently of a fundraising initiative. For each fund, income is reinvested and added to principal, but the entire balance is available for acquisitions as approved by the Board of Trustees.
- Legal Defense Fund – Restricted. This fund, formerly known as the CR Defense Fund, may be used to pay legal costs associated with protection, enforcement or defense of the Trust's rights, responsibilities and real estate interests. Without limitation, these costs may arise out of encroachment on or other misuse of OCT properties, litigation or other legal claims initiated by or against the Trust, and other issues threatening or which may threaten Trust rights and responsibilities, but this fund shall not be used to pay legal costs incurred to acquire or transfer land or interests in land (e.g., conservation restrictions (CRs)). As determined by the Board of Trustees at their 10/26/21 meeting, this fund is currently capped at \$275,000 ("the Board Approved Cap"). If the balance of the Legal Defense Fund falls below the Board Approved Cap, earnings and capital appreciation will be reinvested in the Fund until it reaches the Board Approved Cap. Any earnings or capital appreciation above the Board Approved Cap will be returned to

the General Fund for any purposes approved by the Board of Trustees as part of the annual Budget process. The Board retains the right to change the Board Approved Cap. Within the Board Approved Cap, \$65,000 of the Legal Defense Fund is reserved and may only be used for defense of Trust-held CRs. The portion reserved for CR defense has been funded by donors of CRs to the Trust in the past and can be supplemented by additional donations in the future.

- Payne Memorial Fund- This fund was established by an unrestricted bequest from Robert F. Payne. The Trustees have established the Payne Memorial Fund Policy governing the management of this fund as a “quasi-endowment”, with flexibility for the use of the funds falling between a traditional endowment and an unrestricted fund. This policy may be amended or replaced by the Trustees.
- General/Unrestricted Fund – This fund includes some short-term restrictions including funds specified for short term projects, and funds expected to come in and be spent soon. The entire balance is available for general purposes as approved by the Trustees as part of the annual budget process.

Withdrawals, distributions and spending of the principal and/or net investment income from the assets in the General Fund, the Endowment and any restricted funds shall be governed by the Policies and Procedures set forth in Appendix A-1 (Unrestricted Assets), Appendix A-2 (Endowment Assets) and Appendix A-3 (Restricted Assets) of this Investment Policy.

Unacceptable investments are warrants, options, futures, commodities, short sales, margin accounts, restricted securities, cryptocurrencies, and hedge funds. However, these are acceptable if such investments are components of a mutual fund that has been selected as an otherwise appropriate investment. Restricted securities may be accepted as donations but will be liquidated as soon as permitted.

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Appendix A
Investment Procedures

The purpose of this Appendix A (Investment Procedures) is to summarize briefly the day-to-day procedures associated with the management of the Trust's investments, without duplicating the Investment Policy.

Scope

At present, the Trust's investments are confined to the investment portfolios at Fidelity Investments, with separate accounts for the Endowment Fund and non-endowment funds. Other financial assets include a checking account at the Cape Cod Five Cents Savings Bank ("CC5"), a Fidelity Investments brokerage account, and the Trust's land holdings. This document is focused primarily on the management of the Fidelity Investments portfolios, with some mention made of transactions between the Fidelity account(s) and the CC5 account as appropriate.

Access to the Trust's Fidelity Accounts

At present, two Trust Officers (the President and Treasurer) and the Chair of the Finance Committee have "transaction" access to our Fidelity accounts. They are the only ones who can initiate "money movement" transactions (e.g., buying into a particular investment; liquidating all or part of an investment; selling stock in our brokerage account; moving money from our checking account into one or more funds; etc.).

Two other individuals have "inquiry only" access to our Fidelity accounts – our bookkeeper, and another designated member of the Finance Committee. They cannot initiate "money movement" transactions.

Depositing Funds into the Fidelity Accounts

Funds may be deposited into our Fidelity Endowment Fund or the Non-Endowment account by electronic transfer from the CC5 Operating Account. OCT's current investment funds and their account numbers are provided to those authorized to access the Trust accounts.

Transferring Stock into the Fidelity Accounts

Gifts of stock may be transferred into the Trust's Fidelity Brokerage account. See Appendix A-4 for specific instructions regarding the "Gifts of Securities Held in Brokerage, Bank or Other Financial Institution Accounts".

Quarterly Reporting to the Finance Committee and the Trustees

At the end of each quarter, the Treasurer or Bookkeeper prepares a series of reports which are used to update the Balance Sheet and are available to the members of the Finance Committee. These reports enable the Treasurer and members of the Finance Committee to monitor transaction activity and performance in our Endowment and Non- Endowment portfolios.

The Chair of the Finance Committee also monitors changes in our Fidelity investment portfolios and reports to the Finance Committee on portfolio performance at least quarterly.

These results are then shared with the Trustees periodically.

Cash Management

The Treasurer monitors balances in our CC5 checking account and determines whether funds must be transferred from Unrestricted Non-Endowment Funds to support day to day operations. If there is excess cash in the CC5 checking account, exceeding anticipated requirements over the next several months, the Treasurer or Finance Committee will determine an appropriate amount to be transferred to our investment accounts.

Rebalancing the Investment Portfolios

Periodically, due to shifts in the market, or the receipt or use of cash, our investment portfolios shift as well, and as a result, our asset allocation strategy percentages may miss their targets. Thus, periodically it may be necessary to balance our portfolios to align more closely to the asset allocation strategy approved by the Trustees. The Chair of the Finance Committee, the Treasurer, or an authorized third party manager will contact Fidelity Investments to accomplish the re-balancing objective.

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Investment Income and Distributions from Unrestricted Assets

Principal and accumulated net investment income (interest, dividends and capital gains, less losses) from the unrestricted assets held in the General Fund shall be considered available for withdrawal, distribution or spending with an authorizing resolution of the Trustees.

At least once per year, the FinCom shall provide the Trustees with a recommendation as to the rate of distribution, if any, of the unrestricted assets (which may include principal and/or accumulated net income) in the Trust's General Fund (the "Unrestricted Assets Spending Rate") for the forthcoming year. The Trustees shall agree upon and approve the Unrestricted Assets Spending Rate for the forthcoming year as part of the annual budget process.

The Unrestricted Assets Spending Rate may be amended or adjusted at any time by an affirming resolution of the Trustees. Additional withdrawals or distributions may be made at any time with an authorizing resolution of the Trustees. All resolutions shall be authorized or affirmed by a majority vote of all Trustees in office.

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Endowment Investment and Distributions

The Trust established the Orleans Conservation Trust Endowment (the “Endowment” or the “Fund”) in 2013. The purpose of the Fund is to provide permanent financial support for the Trust’s purposes as stated in the Declaration of Trust.

Donor gifts and contributions specific to the Endowment and any transfers of funds by the Trust to the Endowment shall be added to the amount of the principal value of the Fund. The Treasurer shall maintain a record of all such gifts, contributions and transfers so that the amount of accumulated principal of the Fund (the “Principal”) is known. The Principal shall not be distributed or spent. For investment purposes, the Fund shall be segregated from other investment assets of the Trust.

Net Investment Income (interest, dividends, and realized capital gains, less losses) earned on the Fund shall be considered eligible for distribution to the Trust.

The amount available for distribution in any year shall be the sum of:

Net investment Income from all prior years less amounts already distributed (the “Accumulated Net Investment Income”).

From time to time and at least once per year, the Finance Committee of the Trust shall provide the Trustees with a recommendation as to the rate of distribution of the Accumulated Net Investment Income of the Fund (the “Spending Rate”) for the forthcoming year. The Trustees shall agree upon and approve the Spending Rate for the forthcoming year.

In the event that the Accumulated Net Investment Income is less than zero, then no amount of Accumulated Net Investment Income may be considered available for distribution and the Trustees shall set the Spending Rate for that year at zero.

In the event that fluctuations in the investment performance of the Fund cause the Fund’s assets to be reduced below the amount of the Principal, then, notwithstanding that a Spending Rate may previously have been established for that year, the Finance Committee shall suspend distribution from the Fund assets. The Spending Rate shall be adjusted to zero until such time as the value of the Fund’s assets exceeds the Principal, at which time the Finance Committee shall provide the Trustees with a recommendation as to a new Spending Rate.

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Investment Income and Distributions from Restricted Assets

Except where prohibited, principal and accumulated net investment income (interest, dividends and capital gains, less losses) from Restricted Assets may be used to finance the activities of the Trust by withdrawal, distribution or spending (collectively, “distribution”) with an authorizing resolution of the Trustees.

From time to time and at least once per year, the FinCom shall provide the Trustees with a recommendation as to the amount of distribution of the principal and/or accumulated net investment income (as the case may be) for each class of Restricted Assets for a specified period. Such recommendation shall consider and relate to the purposes for which each of the classes of Restricted Assets are held and the amount of expenditure incurred by the Trust for these activities in the specified period. The Trustees shall agree upon and approve by authorizing resolution, the distribution of Restricted Assets for the specified period.

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Security Gift Transfer Instructions**

Gifts of Securities Held in Brokerage, Bank or Other Financial Institution Accounts

Please instruct your broker/banker to transmit the security directly from your account to:

Fidelity Investments

Boston, MA

DTC #0226

Account #645-697964

Comments: Orleans Conservation Trust; Donor Name; Gift Purpose (e.g., specific OCT fund or project)

When you are making a gift of securities to the Orleans Conservation Trust, please let us know in advance so that the gift will be properly credited when received. To advise us of an anticipated gift, please send a letter or email to the Orleans Conservation Trust, providing the following information:

Name of Donor

Name and “Ticker” Symbol of Security

Number of Shares

Purpose of Gift

Approximate Date of Expected Transfer

Please send all gift transfer information to:

Treasurer

Orleans Conservation Trust

203 South Orleans Road

Orleans, MA 02653

Phone: 508-255-0183

Email: OCT@OrleansConservationTrust.org

Please contact us if you have any questions.