

Orleans Conservation Trust

Investment Policy and Procedures

4-7-2014 (Amended 3-23-2015, 1-27-2016, 1-22-19, 10-26-2021, and 9/24/2024)

I. Responsibility for Investment Management

The Finance and Investment Committee (the “FinCom”) of the Orleans Conservation Trust (“the Trust”) has responsibility for management of the Trust’s financial assets, including all restricted and unrestricted funds. This responsibility includes the following functions, as further described below:

1. Select an investment advisor or advisors, if appropriate.
2. Determine the Trust’s risk tolerance and the asset allocation strategy for the Trust’s investments, in consultation with the advisor(s), taking into account the Trust’s liquidity needs.
3. Monitor the cost of the investment program.
4. Review the performance of the investment program against benchmarks at least quarterly and the performance of the advisor(s).
5. Periodically review this Investment Policy and approve changes in the Investment Policy when they are deemed appropriate.
6. Report to the Board of Trustees (the “Trustees”) of the Trust on the above matters and seek approvals from the Trustees when appropriate as described below.
7. Recommend to the Trustees the “Spending Rate” from certain funds, as described below.

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

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, Vice 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 and Practices

The overall objective of Trust's investment program will be to achieve investment returns that are consistent with the approved level of risk, the Trust's liquidity needs and overall market performance as well as prudent investment practices. Given the long-term nature of the Trust's activities, the Trust will maintain a long-term perspective in forming and implementing its investment policies and in evaluating investment performance.

With the exception of the Endowment Fund, the Trust's financial assets that lie in separate funds as described below may be co-mingled (or pooled) for purposes of management and investment. The Endowment Fund will be invested separately but will be invested in the same manner as the Trust's other financial assets although the individual investments may differ.

At least annually, and with the assistance of any investment advisors who have been engaged, the FinCom will report to the Trustees. This report shall include the approved risk tolerance, asset allocation, and the mix of investments for the Trust's financial assets. This report also shall include an assessment of the performance of the Trust's investments and the performance of the investment advisor.

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

III. The Trust's Various Funds

Some of the Trust's funds are reserved for restricted purposes; the Trust must use those funds for the purpose(s) specified. Some of the Trust's financial assets are unrestricted and available for any purpose that furthers OCT's mission; they are held in the Unrestricted Fund. The Trust's goal is to fund current operations from current dues and donations, but the Trustees will draw on unrestricted and restricted funds as described below and as approved annually in the budget.

The separate funds of the Trust are:

- Unrestricted Fund – Unrestricted. This fund may include some short-term restrictions documented by the Treasurer, but subject to any such restrictions, the entire balance is available for general purposes as approved by the Trustees as part of the annual budget process or at any other time.
- Endowment Fund, described in Appendix A-1.- Restricted. The Trust established the Orleans Conservation Trust Endowment in 2013. The purpose of the Endowment is to provide permanent financial support for the Trust's purposes as stated in the Declaration of Trust. The Endowment shall be subject to annual withdrawals at the approved Spending Rate as described below.
- Thomsen Land Management Fund (named after long time Trust President Charles Thomsen) – Restricted. This fund was formerly known and established as the Founders Fund, initially at \$36,000. The fund is available only for land management/maintenance expenses. The fund shall be subject to annual withdrawals at the approved Spending Rate as described below.

- Land Acquisition Fund – Restricted. These funds are restricted to the purchase or other acquisitions of land or interests in land and expenses in connection with such purchases including near term post-closing project costs. The entire balance or any portion of the fund is available for such purposes with approval by the Trustees, although the Trust often tries to fund new acquisitions with grants, special fund-raising campaigns, and gifts. The fund’s assets may be used independently of a fundraising initiative.

- 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 Trustees at its 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 Unrestricted Fund for any purposes approved by the Trustees as part of the annual budget process. The Trustees retain 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.

- Evergreen Fund (formerly Payne Memorial Fund), described in Appendix A-2 – Partially restricted. This fund was initially established by an unrestricted bequest from Robert F. Payne. The Trustees have established the Evergreen Fund Policy in Appendix A-2 to govern 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. The Evergreen Fund shall be subject to annual withdrawals at the approved Spending Rate as described below.

The Policies and Procedures set forth in Appendix A shall be used in the management of the various funds and the Trust’s investment accounts.

In general, income earned from each fund shall be added to the principal of each fund. However, subject to the limitations applicable to specific funds, income and principal in each fund shall be available for distributions and withdrawals, including distributions at the Spending Rates (defined below).

As part of the annual budget process, the FinCom shall provide the Trustees with a recommendation as to the respective rates of distribution, from the Endowment, Evergreen, and Thomsen Land Management Funds to support the Trust’s operations for the coming year, consistent with the Trustees’ vote at their 5/26/24 meeting (the “Spending Rates”) and the Trustees shall vote on approval of such Spending Rates. The Spending Rates (which may be

different) shall be a percentage of the market value of each of these funds (the base for calculating the market value of each fund will be a three-year rolling average of the market value of the fund at year-end) and withdrawals (i.e. the reallocation of restricted monies to the Unrestricted Fund) shall be made from each applicable fund at a time chosen by the Treasurer so that the total amount withdrawn from each fund for the year shall be equal to the Spending Rate for such fund. In the event the Trust does not use all of the funds withdrawn at the Spending Rates, the excess amount shall remain in the Unrestricted Fund unless the Trustees vote to return any amount to the applicable restricted fund. The Spending Rates shall not be a cap on the amount that can be withdrawn from such funds and the Trustees may vote at any time to withdraw additional amounts from such funds to the extent permitted by the fund's restrictions.

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

Orleans Conservation Trust Investment Policy and Procedures

Appendix A Investment Procedures

The purpose of this Appendix A (Investment Procedures) is to summarize 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, three Trust Officers (the President, Vice 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 a brokerage account; moving money from a checking account into one or more funds; etc.).

Two other individuals have "inquiry only" access to our Fidelity accounts – OCT's 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 any Fidelity account by electronic transfer from the CC5 Operating Account or directly in the case of donated securities. 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 or other securities may be transferred into the Trust's Fidelity Brokerage account. See Appendix A-3 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 the Endowment and non-endowment investment portfolios.

The Chair of the Finance Committee also monitors changes in the 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 the CC5 checking account and determines whether funds must be transferred from 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 the investment accounts.

Rebalancing the Investment Portfolios

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

Orleans Conservation Trust
Investment Policy and Procedures
Appendix A-1
Endowment Fund Investment and Distributions
Amended September 24, 2024

Donor permanently endowed gifts and contributions which have been accepted by the Trustees for 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.

Withdrawals from the Fund shall be made at the approved Spending Rate (defined above), subject to the following limitation:

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.

Orleans Conservation Trust
Investment Policies and Procedures
Appendix A-2
Evergreen Fund Policy

Adopted January 21, 2020, Amended June 25, 2024, Amended _____, 2024

This Policy establishes the Evergreen Fund (formerly, the Payne Memorial Fund) as a separate fund originally resulting from the generous Payne bequest (approximately \$2.2 million). The Evergreen Fund will exist as a perpetual support for OCT activities.

The Evergreen Fund will operate as follows:

The Evergreen Fund will exist as a “quasi-endowment”, with flexibility for the use of the funds falling between a traditional endowment and unrestricted funds. Funds contributed to OCT without donor restriction may be periodically added to the Evergreen Fund by vote of the Trustees. Donors may also designate the Evergreen Fund for their contribution.

Like an endowment, use of the Evergreen Fund will be restricted by a Spending Rate of up to 5% of its market value . As part of the annual budget approval cycle, the Finance Committee will recommend the annual Spending Rate for approval by the Trustees.

The funds resulting from the approved Spending Rate will be “first dollar” funding of costs incurred for three purposes: funding any projected or actual gap between OCT’s operating expenses and revenues; Board-approved capital expenditures; and OCT’s land management activities, including staff costs.

Subject to approval by a minimum of 67% of all Trustees then in office, withdrawals from the fund may exceed a 5% Spending Rate for three exceptional purposes: land acquisitions, capital expenditures, and emergencies (such as exceptional legal fees due to a lawsuit). Requests for such approval should be very unusual.

**Orleans Conservation Trust
Investment Policy and
Procedures Appendix A-3
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.