

Orleans Conservation Trust

Investment Policy and Procedures

4-7-2014 (Amended 3-23-2015, 1/27/2016, and 1-22-19)

I. Responsibility for Investment Management

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

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

The Trustees shall appoint a Finance and Investment Committee (the “FinCom”) from nominees presented by the President of the Trust with consideration given to experience in investment management and other financial qualifications. The President shall also appoint a Chair of the FinCom. The FinCom shall consist of at least three (3) but not more than five (5) members, of which three (3) are Trustees, including the Treasurer of the Trust (the “Treasurer”) and shall be responsible for execution of the Trust's Investment Policy as determined by the Trustees, as well as other duties as outlined in the Finance and Investment Committee Charter. The FinCom will work closely with other committees in support of fundraising campaigns as well as assist with plans for acquisition of new properties that may require funding or special restricted holdings.

From time to time, the FinCom will recommend to the Trustees changes in the Investment Policy which it deems appropriate in view of market conditions or the Trust's financial position.

It is expected that the FinCom will 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 quarterly, a review of the investment performance of the Trust’s financial assets.

The FinCom has responsibility for determining whether management of any or all of the Trust's financial assets should be delegated to an outside manager, or managers, and, if so, to make such a recommendation to the Trustees.

If the Trustees approve such a recommendation, the FinCom is responsible for screening manager candidates and for presenting a recommendation to the Trustees. If an outside manager is employed, the FinCom will 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 and implementation of the Investment Policy to the Treasurer. In addition to the Treasurer, the President and the Chair of the FinCom of the Trust shall be designated 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 the Trust investment policy is to achieve the highest level of investment performance that is compatible with its 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.

Periodically, and at least annually, the FinCom will recommend to the Trustees for their approval an appropriate mix of stocks, bonds and other investments to meet target rates of return and spending rates. This recommendation shall include an appropriate asset allocation and diversification strategy for the Trust's financial assets. Risk tolerance and liquidity will be determined and consideration will be given to allocating the financial assets between equity and fixed income investments. These investments will be highly diversified in such a manner that performance will attempt to approximate the market averages. Individual mutual fund selections will be consistent with this allocation policy. The Endowment Fund will be invested in the same manner as the Trust's other financial assets although the mix of stocks, bonds and other 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 levels of 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 specified by the donors. Some of the Trust's funds are unrestricted surplus put aside and available for any purpose, considered unrestricted funds, held in the General Fund. The Trust's goal is to fund current operations from current dues and donations. Among the funds of the Trust are:

- Thomsen Fund (named after long time Trust President Charles Thomsen) – Restricted - formerly known and established as the Founders Fund for \$36,000. Income is available for land management/maintenance expenses, as determined annually as part of the budget process.
- Land Acquisition Funds – Restricted for purchase of land. The Trust tries to fund new acquisitions with grants, special fund-raising campaigns, and gifts. This fund is also available in the event of a shortfall for land acquisition. Income is reinvested and adds to principal, but entire balance is available for acquisitions as approved by the Board of Trustees.
- CR Defense Fund - Restricted -- funded by donors of Conservation Restrictions to the Trust as mandated by our agreement with The Compact of Cape Cod

Conservation Trusts, Inc. ("The Compact"). Funds are reserved to protect and defend the CRs from encroachment, legal challenges, and other issues threatening Trust CR property. Income is reinvested and adds to principal, but the entire balance is available for CR Defense as approved by the Board of Trustees.

- General/Unrestricted Fund – includes some short-term restrictions including: Funds specified for short term projects – included in General Fund – for short term projects, funds expected to come in and be spent soon on that project. The entire balance is available for General purposes as approved by the Board of Trustees, generally 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 Restricted Assets shall be governed by the Policies and Procedures set forth in Appendix A-1 (Unrestricted), Appendix A-2 (Endowment) and Appendix A-3 (Restricted Assets) of this Investment Policy and Procedures.

Unacceptable investments are warrants, options, futures, commodities, short sales, margin accounts, restricted securities and hedge funds, however, these are acceptable if such investments are components of a mutual fund when the primary character of the 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.

When restricted gifts are received, the FinCom will review any restrictions on such gifts and make a determination of the donor's goals for the donated assets for recommendation to the Trustees. The FinCom will determine the appropriate investment allocation for such gifts.

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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 its Vanguard portfolio, with separate accounts for its endowment fund and its non-endowment funds. Other financial assets include a checking account at the Cape Cod Five Cents Savings Bank ("CC5"), a Vanguard brokerage account, and all of our land holdings. This document is focused primarily on the management of our Vanguard portfolio, with some mention made of transactions between our Vanguard account(s) and our CC5 account, as appropriate.

Access to the Trust's Vanguard Accounts

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

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

To make changes to the names of those who can access our Vanguard accounts, an "Organization Resolution" must be completed and submitted to Vanguard. Blank forms can be found on the Vanguard website. Samples of previously completed documents can be found in the Treasurer's "Investment Information" binder. Any questions with regard to completion of the form can be addressed by contacting Vanguard Customer Service.

When contacting Vanguard or accessing the Vanguard accounts, one needs to know specific information with regard to the Trust (e.g., our street address, our mailing address, etc.) and the answers to a number of randomly-asked questions ("passwords"). These questions and the correct answers are provided to those authorized to access the Trust accounts and are listed in the Treasurer's Investment binder.

Depositing Funds into the Vanguard Accounts

Funds may be deposited into our Vanguard Endowment Fund or the Non-Endowment Funds by sending a check payable to “The Vanguard Group” with the number of the specific fund targeted for the deposit (e.g., our Prime Money Market fund, or any of our individual investment funds). Funds may also be deposited into OCT Vanguard accounts by electronic transfer from the CC5 Operating Account. OCT’s current investment funds and their numbers are provided to those authorized to access the Trust accounts and are listed in the Treasurer’s Investment Binder, with deposit slips for each investment fund (endowment and non-endowment) as well as mailing envelopes.

Often funds are deposited initially into our Prime Money Market Fund, with portfolio re-balancing occurring at a later date as appropriate (see below).

Transferring Stock into the Vanguard Accounts

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

Quarterly Statements; Interim Reports

Paper copies of Trust quarterly statements and Interim Reports are mailed to the OCT Post Office box in East Orleans. The OCT Director gives the statements to the Treasurer who subsequently files the reports in the Treasurer’s Investment binder. The Bookkeeper makes copies of the reports from the paper statements, or downloads copies from the Vanguard website. “Interim” reports might reflect non-standard transactions such as a stock sale or re-balancing of the Trust portfolio. Reports and statements are also available on the Vanguard website.

Quarterly Reporting to the Finance Committee and the Trustees

At the end of each quarter, the 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 Vanguard portfolio and reports to the Finance Committee on portfolio performance at least quarterly. These results are then shared with the Trustees, at least on a quarterly basis.

Cash Management

The Treasurer monitors balances in our CC5 checking account and determines whether funds must be transferred from Vanguard Unrestricted 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 Finance

Committee will determine an appropriate amount to be transferred to our Vanguard Prime Money Market Account. If there is excess cash in our Vanguard Money Market Account, exceeding anticipated requirements over the next several months, the Finance Committee will determine an appropriate amount to be expended and/or invested in our portfolio, as appropriate. The Chair of the Finance Committee, or other authorized person, will contact Vanguard to provide these investment instructions.

Rebalancing the Vanguard Portfolio

At present, our investment strategy includes the following mix:

- 18% total international stock market index;
- 42% total stock market index.
- 13% short term bonds
- 27% intermediate term bonds

Some portion of the fixed income portfolio may also be invested in Certificates of Deposit, Money Market Funds, or similar investment vehicles, as recommended by the FinCom.

Periodically, due to shifts in the market, or the influx of cash through our Money Market Account, our portfolio shifts as well, and as a result, our investment strategy percentages may miss their targets. Thus, periodically it may be necessary to balance our portfolio. This can be accomplished through the investment of cash from the Vanguard Money Market Account or the reduction/increase of investment in a portfolio fund in order to maintain the authorized mix. The Chair of the Finance Committee or the Treasurer typically will contact Vanguard 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 from (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.

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 Orleans Conservation Trust (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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Appendix A-3

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 (“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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Orleans Conservation Trust - 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:

Vanguard Brokerage Services

Wayne, PA

DTC #0062

Account #45887201

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

P.O. Box 1078

East Orleans, MA 02643-1078

Phone: 508-255-0183

Email: OCT@OrleansConservationTrust.org

Please contact us if you have any questions.