

**AMERICAN CHESTNUT LAND TRUST
INVESTMENTS AND ENDOWMENT FUNDS POLICY STATEMENT**

Introduction. To assist the ACLT Directors, officers, committees and staff, this Policy Statement contains (1) basic ACLT investment policies, (2) the investment objectives and guidelines applicable to each ACLT Fund, (3) the responsibilities of the ACLT Budget and Finance Committee concerning investment policy and endowment fund matters, (4) Appendix A, the ACLT Board of Directors Resolution dated September 27, 1997, creating the ACLT "Land Management Endowment Fund," including the terms, conditions and limitations by which the Endowment Fund shall be administered, Appendix A, the ACLT Board of Directors Resolution dated May 16, 2015, creating the ACLT "Forever Fund Endowment Fund," including the terms, conditions and limitations by which the Endowment Fund shall be administered, Appendix B and (5) the policies and procedures to be applied to determine the suitability and acceptability of endowment type gifts hereafter offered by donors who want their gifts separately held and applied for specific or limited purposes determined by the donor.

**SECTION 1. GENERAL INVESTMENT POLICIES - BASIC
CONSIDERATIONS.**

(a) All investment policies involve risk. The ACLT goal is to adopt the risk or risks most appropriate to meet the objectives and purposes of each Fund.

(b) The four primary factors that will be taken into consideration in establishing the investment policies for each Fund are:

- Preservation of principal
- Maintenance of purchasing power
- Adequacy of income
- Liquidity of assets

Generally, for each Fund, the most significant long-term decision to be made relates to asset allocation, i.e., the appropriate Equity/Bond ratio to be established for the Fund. The relative priority of each of these factors will affect the extent to which the assets of a Fund are to be allocated between equities and fixed income. Further allocation of subclasses within the broader equities and fixed income categories can be utilized to help optimize return for any given level of risk over time based on historical correlation of price variances between asset classes.

(c) The assets of some ACLT Funds are expended within the year they are received, while the assets of other Funds are intended to be held and invested over extended periods during which only a small portion of the Fund, if any, is required for current needs. Investment objectives will vary, depending upon how long the assets of a Fund are expected to be available for investment and the intended use of such assets.

(1) Where a particular Fund is likely to have all of its assets consumed within a twelve-month period, the dominant investment objectives will be preservation of principal and liquidity of the assets, while earning whatever income is possible to be obtained from short-term investment in high quality fixed income instruments.

(2) Where a Fund is expected to have its assets consumed over a period of more than twelve months but less than five years, general ACLT investment policy is to invest such a Fund in fixed income securities; sufficient time may be available in which to earn a higher yield by investing in fixed income instruments of longer duration and a somewhat lesser grade, although still investment quality.

(3) Where the investment horizon for a Fund is long (generally, five years, or more), ACLT investment policy is to invest a significant portion of such Fund in equities.

(d) Where equity investment is appropriate, ACLT policy is to invest for "total return." Under this policy, performance is measured annually by aggregating the sum of net income earned plus the change in value of the investment portfolio. Although the total return from equity investments is expected to exceed the total return from fixed income investments, the income component thereof is likely to be relatively small. Accordingly, it is understood and accepted, as a customary and appropriate aspect of ACLT total return policy that expenditures properly incurred may be paid out of principal as well as income.

(e) Investment of all ACLT funds, other than funds held in money market funds or securities having a maturity of less than twelve months, shall be made only by professional investment managers or by investment in one or more mutual funds.

(f) So long as the sizes of ACLT Funds remain relatively small, it shall be ACLT policy that adequate diversification and professional investment management can be obtained most economically through investment in appropriate mutual funds. Generally, "no load" funds will be preferred. Investment style will be taken into account. Prior performance of an investment manager or of a mutual fund over an extended period (preferably ten or more years) and consistency of style will be the two most significant factors to be considered in evaluating retention of a manager or investment in a particular mutual fund. In the absence of unusual circumstances, no investment manager or mutual fund will be considered unless his or her or its most recent five-year history places the manager or fund in the top quartile of all managers or funds having a similar investment style.

(g) Gifts of securities shall be immediately liquidated and the proceeds folded into the ACLT investment program as described elsewhere in this Policy. This policy is intended to maintain consistency between actual investments held and intended allocation, risk, liquidity, professional management and other policy elements.

SECTION 2. FUND DEFINITIONS AND DESCRIPTIONS; INVESTMENT OBJECTIVES; GUIDELINES.

(a) "**Operating Fund**" refers to the existing ACLT account or accounts that receive dues, contributions, general grants, annual auction proceeds, and the sale of promotional items and which serve as the source for payment of normal operating expenses. The assets in these accounts normally are consumed within a twelve-month period. **Investment Objective:** preservation of principal and liquidity. **Guidelines:** To the extent not held in checking accounts, the Operating Fund assets may be held in taxable money market funds or Treasury Bills or Bank CD's laddered between three and twelve months.

(b) "**Unrestricted Reserve Fund**" refers to those excess funds carried over from the Operating Fund at the end of previous years. These assets are available to meet budget deficiencies in future years and will follow the investment objective and guidelines established for Operating Fund in (a) above. The ACLT Board of Directors may commit all or a portion of these assets to future land acquisitions or other specific projects, or the land management endowment fund. Funds committed for these purposes will follow the investment objective and guidelines specified in (c) or (d) for Specific Project Funds or the Land Management Endowment Fund.

(c) "**Specific Project Funds**" refers to each account created to receive and disburse funds given to or set aside by ACLT to carry out defined projects such as the currently established Land Acquisition Fund and Easement Monitoring Funds. Each Specific Project Fund is separately administered according to fund restrictions. Normally, each such Fund is expected to be consumed within a period of less than five years. **Investment Objective:** three objectives shall be applicable, in the following priorities: (i) preservation of principal; (ii) income; (iii) liquidity. **Guidelines:** For projects expected to be completed within twelve months, see guidelines for Operating Fund in (a) above. For projects to be paid out of funds held for more than twelve months, assets shall be invested in Treasury Bills or Notes, laddered and having an average maturity consistent with the anticipated payout schedule applicable to that Fund.

(d) "**Land Management Endowment Fund**" refers to the Endowment Fund described in Section 4. The Fund was established with donor restricted funds and is expected to increase from future donations and funds set aside for Fund purposes by the Board of Directors. The Land Management Endowment Fund shall at all times be deemed to have an investment horizon of more than five years. In addition, the Fund shall preserve the principal amount of individual donor contributions. **Investment Objective:** four objectives shall be applicable, in the following order of priorities: (i) maintenance of purchasing power; (ii) preservation of principal; (iii) adequacy of income; (iv) liquidity. **Guidelines:** To maximize cumulative real return consistent with risks reasonable to assume and the foregoing priority of objectives, it is ACLT policy that a substantial portion (40 - 60%) of the total portfolio of the Land Management Endowment Fund will be invested in equities. Fixed income investments shall be in the form of "intermediate" bonds, not one of which shall have a maturity of more than 15 years, consisting of Treasuries or other agencies of the United States Government and laddered to have an average maturity of no more than 3 to 4 years.

(e) "Forever Fund Endowment Fund" refers to the second Endowment Fund described in Section 5. The Fund will be established with donated funds and is expected to increase from future donations and funds set aside for Fund purposes by the Board of Directors. The Forever Fund shall at all times be deemed to have an investment horizon of more than five years. In addition, the Fund shall preserve the principal amount of individual donor contributions. **Investment Objective:** four objectives shall be applicable, in the following order of priorities: (i) maintenance of purchasing power; (ii) preservation of principal; (iii) adequacy of income; (iv) liquidity. **Guidelines:** To maximize cumulative real return consistent with risks reasonable to assume and the foregoing priority of objectives, it is ACLT policy that a substantial portion (40 - 60%) of the total portfolio of the Land Management Endowment Fund will be invested in equities. Fixed income investments shall be in the form of "intermediate" bonds, not one of which shall have a maturity of more than 15 years, consisting of Treasuries or other agencies of the United States Government and laddered to have an average maturity of no more than 3 to 4 years.

SECTION 3 - INVESTMENT SUPERVISION.

(a) In general, the Budget and Finance Committee shall serve as an investment committee to the Board of Directors. The selection of the Equity/Bond ratio and the allocation between suitable subcategories of asset classes for each ACLT Fund, and the selection of each investment manager or mutual fund shall be made by the Budget and Finance Committee.

(b) The Chair of the Budget and Finance Committee shall review on a quarterly basis the investment performance of each ACLT Fund and report such performance and other investment related matters as appropriate to the Committee. The Committee shall submit, no less than annually, a report to the Board, covering, among other matters, the investment performance of each ACLT Fund and its investment manager or mutual fund during the past year and its strategies concerning continuing or modifying the existing allocation between asset types or managers. Performance of each investment manager or mutual fund will be measured against the return of an appropriate benchmark.

(c) The Board of Directors may revoke any of the duties granted to the Budget and Finance Committee at any time.

SECTION 4. THE ACLT LAND MANAGEMENT ENDOWMENT FUND.

See Exhibit A hereto attached.

Adopted by the ACLT Board on the 15th day of November, 2003; Revised January 17, 2015 to delete Section 5. Policy Concerning Endowment-Type Gifts offered to ACLT, where the donor desires the gift to be separately administered and used for restricted purposes (replaced by Gift Acceptance Policy and Procedures, adopted January 17, 2015.

SECTION 4. THE ACLT FOREVER FUND ENDOWMENT FUND

See Exhibit B hereto attached.

Adopted by the ACLT Board on the 16th day of May, 2015.

Exhibit A

AMERICAN CHESTNUT LAND TRUST
RESOLUTION OF BOARD OF DIRECTORS
ENDOWMENT FUND

WHEREAS, the Board wishes to create a separate Endowment Fund and to accept contributions to that fund, and to maintain the fund for management of land; now therefore be it

RESOLVED, that the Board hereby creates a Land Management Endowment fund, to be maintained in one or more separate accounts under the supervision of the Board of Directors; and be it further

RESOLVED, that expenditures from the Fund be made exclusively for the purpose of management of land owned by the American Chestnut Land Trust or land owned by the State of Maryland, the Calvert County Government or any other non-profit organization managed by the American Chestnut Land Trust; and be it further

RESOLVED, that expenditures from the Fund in any calendar year be limited to no more than five percent (5%) of the principal value of the Fund as of the beginning of each calendar year, provided that any such expenditures do not erode the principal value of the Fund; and be it further

RESOLVED, that expenditures for any purpose other than those specified above may be made only by unanimous vote of the Board of Directors, after notice to all donors to the Fund to the extent practicable, and only if the Board determines that it would frustrate the overall purposes of the Land Trust to limit expenditures to those purposes; and be it further

RESOLVED, that contributions, either in cash or kind, may be accepted for the Fund in the discretion of the Board of Directors and on such terms as the Board deems appropriate, provided that contributions may be declined if restrictions proposed by a donor are unacceptable to the Board.

Adopted on the _27th__ day of _September ___, 1997

Exhibit B

**AMERICAN CHESTNUT LAND TRUST
RESOLUTION OF BOARD OF DIRECTORS
THE 'FOREVER FUND' ENDOWMENT FUND**

WHEREAS, the ACLT has one endowment fund, the Land Management Endowment Fund (LMEF), that is restricted to funding only land management costs that are approximately one-third of total ACLT program and operating costs;

THEREFORE, The Board wishes to create an additional Endowment Fund, to accept contributions to that fund and to maintain the fund for the purpose of funding program and general operating expenses, now therefore be it;

RESOLVED, that the Board hereby creates the 'Forever Fund' Endowment Fund, to be maintained in one or more separate accounts under the supervision of the Board of Directors; and be it further

RESOLVED, that the expenditures of the fund be made for the purpose of funding ACLT programs and general operating expenses necessary to achieve the mission of the American Chestnut Land Trust to manage properties owned by the ACLT and land owned by the State of Maryland, the Calvert County Government or any other non-profit organization; and be it further

RESOLVED, that expenditures from the Fund in any calendar year be limited to no more than five-percent (5%) of the principal value of the Fund averaged over the 12 trailing quarters, provided that any such expenditures do not erode the principal value of the Fund; and be it further

RESOLVED, that expenditures for any purpose other than those specified above may be made only by unanimous vote of the Board of Directors, after notice to all donors to the Fund to the extent practicable, and only if the Board determines that it would frustrate the overall purposes of the Land Trust to limit expenditures to those purposes; and be it further

RESOLVED, that contributions, either in cash or kind may be accepted for the fund at the discretion of the Board of Directors and on such terms as the Board deems appropriate, provided that contributions may be declined, if restrictions proposed by a donor are unacceptable to the Board.

Adopted on the 16th day of May, 2015

