

Vermont River Conservancy

STEWARDSHIP LEGAL DEFENSE FUND INVESTMENT POLICY

Adopted by the Board of Trustees on January 22, 2008

INTRODUCTION:

The Vermont River Conservancy (VRC) maintains and manages a Stewardship Legal Defense (The Fund). The purpose of the fund is to provide income for meeting the VRC's stewardship responsibilities as well as to cover legal costs associated with enforcement of casement violations, etc... It is anticipated that as funds are raised for various projects, additional funds will be raised and set aside for the aforementioned purposes.

The VRC Stewardship Legal Defense Fund investment policy seeks to achieve maximum total return and minimize risk through diversification and high quality investments and due diligence, and to provide a growing reliable income stream to assist VRC in meeting its stewardship and legal responsibilities. The policy is constructed to meet the long-term financial needs and objectives of the Fund. The policy guides VRC's Board of Trustees (Trustees), the Finance Committee or Investment Sub-committee if appointed (Committee), the VRC investment manager(s) (Manager) and, as appropriate, VRC staff.

MANAGEMENT & INVESTMENT OBJECTIVES:

1. Management Objective: The management objective of the Fund seeks to preserve its real inflation-adjusted purchasing power by aligning potential distributions with inflation-adjusted long-term returns. Enhancement of the Fund occurs when the real total return exceeds the distribution rate and through new contributions.
2. Investment Objective: VRC seeks to receive a real total return of at least five percent (5%) over the long term (rolling five-year periods). Real total return is the sum of capital appreciation (or loss) and current income adjusted for inflation as measured by the Consumer Price Index (CPI).
3. Spending Policy: Given the nature of such a Fund, it is difficult to know both the timing and amount of required funds. Any spending of this fund shall be approved by the Trustees.
4. Review of Stewardship Legal Defense Fund Investment Policy: The Trustees have assigned the Committee with the responsibility to review the policy on an ongoing basis and to make recommendations for change for its consideration.

PORTFOLIO & RISK

1. Allocation of Assets: To achieve the investment objective, VRC instructs the manager to divide the fund into two parts or major asset classes: a fixed income fund and a general

equity fund. The Committee will meet regularly to monitor asset allocation and investment performance.

2. Diversification: The policy embraces the diversification of the Fund, as size permits, both by asset class and within asset classes. Diversification should provide reasonable assurance that no single investment shall exceed thirty percent (30%) of the total asset value of the fund. However it is anticipated that early on there will not be sufficient assets to meet these requirements. Until the account has grown in size it is likely and acceptable that only one or two mutual funds will be utilized.
3. Fixed-Income Allocation: Though the actual percentage of the Fund allocated to fixed income will fluctuate with market conditions, the policy target is thirty percent (30%). The Manager will transfer funds as needed to ensure that the total fixed - income allocation does not fall below twenty percent (20%) or exceed forty percent (40%) of the Fund for more than sixty (60 days) without the approval of the Committee.
4. Equity Allocation: The equity portion of the Fund seeks to provide appreciation of principal and a growing income stream that meets the real total return objectives of the investment policy. Equity investments may result in significant short-term fluctuations, but the Manager should seek to outperform (on a net basis) the Wilshire 5000 Index. The Fund seeks to be fully invested, and the manager will not maintain a significant cash position (greater than 15%) for more than sixty (60) days without the approval of the Committee, except the cash necessary to meet disbursements. The equity portion of the Fund should not fall below sixty percent (60%) or exceed eighty percent (80%), with seventy percent (70%) as an objective, of the asset value of the Fund. The Manager may make global investments not to exceed forty percent (40%) of the equity portion of the Fund.

MANAGEMENT GUIDELINES

The Manager will endeavor to achieve the investment objectives and follow the guidelines established in this policy.

MONITORING OF OBJECTIVES & RESULTS

1. Review of Objectives: The policy will remain in effect until modified by the Trustees. The Committee will review this policy no less than annually.
2. Review of Results: The Committee will periodically (generally quarterly) receive a report from the Manager to monitor the investment of the Fund for adherence to the policy and the return relative to objectives. The Committee will convey these results to the Trustees at least annually.