

Orange County Partnership, Inc. – Investment Policy

I. Purpose

The purpose of this Investment Policy (IP) is to establish the investment goals and objectives, and the management guidelines applicable to the Orange County Partnership, Inc. (OCP) and the management and investment of its funds, including any and all restricted and unrestricted funds, endowed funds, and funds functioning as endowment (collectively, the Funds). This IP will:

- Establish goals, objectives and guidelines in the investment of OCP portfolio assets
- Create a framework for a diversified asset mix that aims to generate acceptable returns and manage risk
- Establish investment guidelines regarding selection of any investment manager
- Specify investment strategy and target asset allocation policy.

The Board of Directors of OCP (the Board of Directors or Board) believes that the IP should be dynamic to reflect the needs of OCP. This policy should reflect OCP's current financial status, liquidity needs and short and long term investment goals. This policy should be reviewed annually by the Board of Directors or more frequently if needed. The investment manager should also make an annual presentation to the Executive Committee to discuss market conditions, portfolio performance and any potential change to investment philosophy that OCP should consider.

II. Responsibilities

Board of Directors:

The primary responsibilities of the Board with respect to the oversight of investment portfolios are:

- Review and approve this IP annually
- Determine amount of funds that should remain liquid for business operation versus what is available for investment
- Hire and monitor performance of investment manager and portfolio. Manager should not be affiliated with any member of OCP Board to avoid conflict of interest
- Provide guidance in concert with investment manager as to diversification strategy for OCP portfolio
- Make management and investment decisions with respect to OCP's funds in consultation with the investment manager
- Hold annual meeting with investment manager to review portfolio and economic trends
- Such other duties as described in this IP

Investment Manager:

a. Appointment and Termination of Managers. The Board may, but need not, appoint one (1) or more investment managers (each a “Manager”) to invest the Funds in accordance with the general and specific guidelines set by the Board. The Board may terminate a Manager at any time without explanation, cause, or penalty, upon no more than sixty (60) days’ notice. The Board shall ensure that such termination provisions are included in all contracts with Managers.

b. The Board of Directors shall interview and select a Manager to:

- Manage the portfolio in accordance with investment policy asset allocation guidelines
- Provide portfolio investment statements on a quarterly or more frequent basis if available
- Benchmark portfolio performance against comparable market indexes
- Be transparent with fees for managing portfolio and find investments with low expense ratios (where possible)
- Be proactive in bringing forward strategies that OCP should consider in management of investment portfolio and assist with any IP changes
- Present annually to the OCP Executive Committee and/or Board
- Present a detailed list of proposed permitted investments
- Make recommendations as to whether particular investments should be secured

c. Evaluation of Managers. Evaluation of Manager performance will be based on the following: (i) adherence to investment guidelines set by the Board; (ii) adherence to each Manager’s stated investment philosophies and objectives; and (iii) the performance of each Manager’s investments of Funds relative to any investment benchmarks set by the Board and to the investment results of peers with comparable investment styles and portfolio objectives. Investment returns will be calculated net of management fees. Investment performance results of Managers shall be monitored on a calendar-quarter basis. Each Manager shall provide the Board with a written annual report for OCP’s fiscal year-end on a timely basis.

d. Appointment and Termination of Consultants. OCP may retain the services of an independent investment consultant (the “Consultant”) for the purpose of assisting the Board in developing and achieving the investment objectives of the Funds. The Consultant may assist in establishing investment objectives, offering alternative models of asset allocation, identifying appropriate Managers and investments, and producing timely quarterly reports that monitor performance of investments of the Funds. The Consultant may also advise on revisions and modifications of this IP and investment objectives, as appropriate. The Board may terminate the Consultant at any time without explanation, cause, or penalty, upon no more than sixty (60) days’ notice. The Board shall ensure that such termination provisions are included in all contracts with Consultants.

e. Compensation. The Board shall establish the rate of compensation for Managers and Consultants. Such compensation shall be commercially reasonable, reflect fair market value, and be consistent with the purposes of OCP and the Funds.

f. Independence. The Board shall assess the independence of Managers and Consultants and refrain from retaining Managers and Consultants with conflicts of interest with respect to OCP.

III. Investment Objectives and Considerations

Risk Tolerance:

Investment theory and historical capital market return data suggests that over long period of time there is a relationship between the level of risk assumed and the level of return that can be expected in an investment program. In general, higher risk is associated with higher return. Based on these factors, OCP should have a moderate risk profile (outlined below in asset allocation strategy). This profile is for investors and organizations like OCP who are willing to accept some amount of risk. Primary emphasis is on achieving modest portfolio appreciation. A typical portfolio will have exposure to various asset classes (equity, bond (fixed income) and cash).

Investment Objectives:

The portfolio should be invested in accordance with sound investment practices that emphasize long term investment fundamentals. The objectives of the portfolio are to maximize returns consistent with stated risk tolerance. Investment returns are expected to provide adequate funds to sufficiently support needs of OCP. In establishing the investment objectives of the IP, the Board with the help of the Manager will take into account the time horizon available for investment, the nature of OCP's organizational cash needs and other factors that affect OCP's risk tolerance, as described more fully below.

Investment and Management of Funds:

- a. The Board will make management and investment decisions not in isolation, but in the context of the portfolio of Funds as a whole and as part of an overall investment strategy having risk and return objectives reasonably suited to each of the Funds and to OCP.
- b. In managing and investing the Funds, the Board will consider the following factors, as relevant:
 - i. General economic conditions;
 - ii. Possible effects of inflation or deflation;
 - iii. Expected tax consequences, if any, of investment decisions or strategies;

- iv. The role that each investment or course of action plays within the overall portfolio of Funds;
 - v. The expected total return from income and the appreciation of investments;
 - vi. Other resources of OCP;
 - vii. The needs of OCP and the ability to make distributions from and to preserve capital of any component of the portfolio of Funds; and
 - viii. An asset's special relationship or special value, if any, to the exempt purposes of OCP.
- c. None of the Funds currently constitute endowed Funds. If OCP receives endowed Funds in the future, the Board shall promptly revise this IP to address such endowed Funds.

Asset Allocation Strategy:

The asset allocation mix for the investment portfolio of OCP should be maintained within the following ranges:

<u>Asset Class:</u>	<u>Minimum</u>	<u>Target</u>	<u>Maximum</u>	<u>Benchmark</u>
Equity	50%	60%	70%	TBD
Fixed Income/Bond	25%	30%	35%	TBD
Cash	5%	<u>10%</u>	15%	TBD
		100%		

Rebalancing:

The allocation to each asset class and to investment styles within asset classes are expected to remain stable over most market cycles. However, capital appreciation (or depreciation) due to market conditions and trading activity in the portfolio can result in periodic deviation from the above asset allocation strategy. Thus, the Manager, under direction of the Board, should rebalance the portfolio's assets within a time period, determined by the Board in consultation with the Manager, to align the portfolio with asset allocation targets.

IV. Conclusion & Approval

This IP is intended to be a high level summary of OCP's philosophy that provides guidance to the BOD and investment portfolio manager. It is understood that there can be no guarantees about the attainment of the goals and investment objectives outlined about but through active

oversight and monitoring by the Board risks should be mitigated and portfolio performance goals met.

This IP has been prepared for the review and approval of the Board. The review and approval of the IP the ultimate responsibility of the Board. It is understood that this policy statement is to be reviewed annually by the Board for revisions for any reasons including changing circumstances such as, but not limited to, changes in financial status or risk tolerance.

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