

ELY FUND INVESTMENT POLICY

As of the Effective Date, the Ely Fund (the "Fund") shall be administered as a "Total Return Unitrust," as defined by Vermont Statutes Annotated, Title 14A, Chapter 9.

Annual distributions from the Fund shall be based upon a "Unitrust Amount" rather than based upon the Fund's net income each year. The annual Unitrust Amount shall be determined each year by multiplying the total fair market value of assets held in the Fund, times a set percentage each year. The fair market value of Fund assets shall be determined as of December 31st of each year, for a payment to be distributed in the following year. The percentage used to determine the Unitrust Amount shall be between three percent (3%) and five percent (5%) each year (the "Unitrust Percentage"). The Otter Valley Unified Union School Board (OVUU), in its discretion, may vary the Unitrust Percentage each year, within the range of three percent (3%) to five percent (5%) of the value of Fund assets each year.

For example, if the Fund holds \$1 million worth of assets on December 31st, and if the Unitrust Percentage is 4%, then the Unitrust Amount to be paid out in the following year would be \$40,000.

In the alternative, an annual distribution may be based upon the Fund's annual net income, determined as of December 31st of the preceding year, if the Fund's net income for the preceding year is less than 3% or more than 5% of the value of Fund assets on December 31st, and the OVUU Board prefers to distribute the lower or higher net income amount in the following year. For the purpose of determining the Fund's annual net income, net capital gains and losses may be allocated to and included in the Fund's annual accounting net income for the year.

For accounting and tax purposes, amounts distributed from the Fund shall be considered as being paid from the Ely Fund's net accounting income, if any, and the distribution amount shall be allocated first to ordinary income, next to net short term capital gains, next to net long term capital gains, and finally to principal.

The OVUU Board shall invest and manage Fund assets as a prudent investor would, by considering the purposes, terms, distribution requirements, and other circumstances of the Fund. Investment management decisions must be evaluated in the context of the portfolio as a whole, and as part of an overall investment strategy having risk and return objectives reasonably suited to the Fund. When investing and managing Fund assets, the OVUU Board and its financial advisers must consider such of the following factors as are relevant to the Fund and its beneficiary: (1) the general economic conditions, (2) the possible effect of inflation and deflation, (3) the expected tax consequences of investment decisions, (4) the role of each investment within the portfolio, (5) the expected total return from income and appreciation of capital, (6) the other resources of the beneficiary, (7) the need for liquidity, income, and preservation and appreciation of capital, and (8) an asset's special relationship or value to one or

more beneficiaries. The OVUU Board shall diversify Fund investments, unless the OVUU Board reasonably determines that, because of special circumstances, the purposes of the Fund are better served without diversifying investments. The OVUU Board shall reasonably monitor the performance of Fund investments over time.

This Investment Policy shall become effective on January 1, 2015, and shall remain in effect until revised or amended by the Otter Valley Unified Union School Board, in its discretion, subject to the terms of Vermont Statutes Annotated, Title 14A, and the Last Will and Testament of Willet A. Ely, dated December 11, 1963.

	Otter Valley Unified Union School District
Public Notice:	07/15/16
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