

MPLT ADMINISTRATIVE RESOLUTION 24-002

A RESOLUTION TO ESTABLISH AND IMPLEMENT A POLICY TO ALLOCATE DIRECT INDIRECT COSTS AND EXPENSES BETWEEN THE GENERAL FUND TRUST AND THE AMERICAN MEMORIAL PARK FUND TRUST

RECITALS

WHEREAS, the Marianas Public Land Trust was established pursuant to Article XI of the CNMI Constitution and its Trustees appointed for the proper administration of the trust funds; and

WHEREAS, MPLT administers two trust funds: the CNMI General Fund Trust comprising of the funds from the Covenant for the lease of Tinian (\$17.5 million) and Farallon de Medinilla (\$20,600) and the American Memorial Park Trust Fund (\$2 million from the Tanapag Harbor lease); and

WHEREAS, today the approximate investment corpus for the General Fund Trust is approximately \$101 million dollars and the American Memorial Park Trust is approximately \$12 million dollars; and

WHEREAS, in September, 2023 the MPLT Trustees confirmed and revised the Investment Policy Statement for the General Fund Trust and the American Memorial Park Trust Fund. Each investment policy statement then diverged from the other in a manner in which the General Fund Trust focused on greater yield on a shorter time horizon and the American Memorial Park Trust Fund focused on growth on a longer time horizon; and

WHEREAS, consistent with modern portfolio trust administration principles the Trustees analyzed the method in which they would account for and charge each fund for direct and indirect costs and expenses of administration. The Trustees did so due to several reasons including ensuring that one trust was not bearing the disproportionate share of expenses; the difference in the amounts of the funds under administration between each trust; the differences in the investment strategy and the complexity of administration; and

WHEREAS, the Trustees directed the MPLT Administrator and Fiscal Officer, as part of the Trustees' due diligence and fiduciary duties, to undertake a survey of comparable regional and public trusts so as to recommend a policy to allocate direct and indirect costs and expenses between the General Fund and the Park Fund trusts for costs of administration; and

WHEREAS, in March 2024 the Trustees received the Administrator and Fiscal Officer's report and findings and proposed a policy for the Trustees' consideration. That proposed policy is recited in this Resolution and the Trustees find that the proposed policy is reasonable, prudent and equitable as to the allocation of direct and indirect costs and expenses between the General Fund and the Park Fund trusts.

RESOLUTION

THEREFORE, BE IT RESOLVED, that the Marianas Public Land Trust, by majority vote of Trustees, hereby establishes and adopts this Cost Allocation Policy which allocates the direct and indirect costs and expenses of administration between the General Fund Trust and the Park Fund Trust;

BE IT FURTHER RESOLVED, that the MPLT Administrator and Fiscal Officer shall follow and implement this Cost Allocation Policy as of March 1, 2024 and in doing so include the Cost Allocation Policy expenses charged to each fund or account in all quarterly or annual reports henceforth to the CNMI, the National Park Service as well as its auditors;

BE IT FURTHER RESOLVED, that the Cost Allocation Policy methodology is established as follows:

MARIANAS PUBLIC LAND TRUST

Indirect Cost Allocation Policy

The Marianas Public Land Trust (MPLT) is responsible for prudently investing the principal funds received from the leasing of public lands remitted by the Department of Public Lands (DPL). Additionally, MPLT is responsible for carrying out the intention of Article VIII, Section 803 (e) of the Covenant, by establishing a separate trust fund for the development and maintenance of the American Memorial Park. MPLT manages two funds: the General Trust Fund and the Park Trust Fund. The Funds are accounted for and managed separately. The Indirect Cost Allocation Policy establishes the guidelines for the allocation of general and administrative expenses applied to the General Trust Fund and the Park Trust Fund.

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MPLT office functions are centralized, providing general and administrative services that benefit both Funds.

MPLT shall now classify expenses into two separate categories: **Direct Expenses** and **Indirect Expenses**.

A. **Direct expenses** are costs incurred that are directly attributable to a specific fund.

B. **Indirect expenses** are costs incurred that provide a benefit to both Funds. These shared expenses are allocated to recognize the full cost of services provided to each fund and reflect a more accurate accounting of the Funds.

C. Expenses are described in this table below and classified accordingly:

Expense	Direct	Indirect	Allocation
Money Management Fees	x		Fees are charged directly to each fund
Legal Fees	x	x	Direct Expense for Fund Specific Legal Expenses. Indirect Cost Allocation for Legal Expenses benefitting both Funds.
Salaries & Wages		x	Indirect Cost Allocation
Employee Benefits		x	Indirect Cost Allocation
Professional Services		x	Indirect Cost Allocation
Portfolio Management Consultant	x		Fees are charged directly to each fund
Audit		x	Indirect Cost Allocation
Board Expenses	x	x	Direct Expense for Fund Specific Meetings. Indirect Cost Allocation for Meetings benefitting both Funds
Trustee Fees	x	x	Direct Expense for Fund Specific meetings. Indirect Cost Allocation for Meetings benefitting both Funds
Utilities		x	Indirect Cost Allocation
Office Expenses		x	Indirect Cost Allocation

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Fiduciary Insurance		x	Indirect Cost Allocation
Money Management Administration		x	Indirect Cost Allocation

Expenses that can be specifically attributed are charged directly to the Fund the expense benefits. Indirect expenses that benefit both the General Fund and Park Fund are allocated respectively. A reasonable cost allocation methodology is applied to distribute appropriate expenses. Indirect expenses are allocated proportionately based on the value of assets under management. The formulas below shall be used to calculate the annual indirect cost allocation percentage.

$$\text{Park Trust Fund Principal Balance} / \text{MPLT Total Fund Balance} = \text{Park Fund Indirect Allocation Percentage}$$

$$\text{General Trust Fund Principal Balance} / \text{MPLT Total Fund Balance} = \text{General Fund Indirect Allocation Percentage}$$

The indirect cost allocation percentage shall be calculated annually based on the previous fiscal year end financial statements. Historically, the cost allocation percentages range from 9% - 10%.

SO ADOPTED and approved by majority vote of the Trustees of the Marianas Public Land Trust at a duly convened meeting on **June 5, 2024**. This Administrative Resolution shall be filed with the MPLT Administrator, and copies shall be published and provided as public records.



PHILLIP MENDIOLA-LONG
Chairman




RITA A. SABLAN
Vice-Chair



ALVARO A. SANTOS
Treasurer



CARLA N. CAMACHO
Trustee



PEDRO DELA CRUZ
Trustee