

**New England Yearly Meeting Pooled Funds
Investment Guidelines and Procedures**

August 2004

**Investment Guidelines for the Investment Advisor and Board of Managers
New England Yearly Meeting Pooled Funds
as of February 14, 2001**

(referred to as the “Green Book”)

I. Purpose of Pooled Funds

The purpose of the Pooled Funds is to provide an investment vehicle to New England Friends’ organizations or to other organizations serving Friends’ purposes which:

- A. Affirms Friends’ testimonies;
- B. Provides professional long-term investment management;
- C. Distributes income quarterly; and,
- D. Offers participation in a diversified portfolio to individual organizations that may not be able to achieve adequate diversification by investing their funds alone.

II. Investment Objectives

For the benefit of the constituents, the Board of Managers manages the portfolio primarily to produce and distribute income and, through principal appreciation, increase the level of income distributed at a rate equal to or greater than the rate of inflation over the long term. Secondly, the Board seeks to increase the value of the principal invested. The Pooled Funds are invested in companies that are making a positive contribution to the world’s need for goods and services and are providing work in a healthy, equal opportunity environment.

The Board of Managers follows these guidelines in making investments for the Pooled Funds:

- A. The Board manages the investments in compliance with the fiduciary nature of the funds, with primary concern as to the quality of the investments and adequate diversification to minimize risk.
- B. The Board of Managers avoids investments that are inconsistent with Friends’ testimonies, including companies that depend upon war materials, alcoholic beverages, tobacco or gambling, and companies that conduct unfair employment practices or pollute the environment.
- C. The Board of Managers invests with a focus on long-term rather short-term objectives.

III. Asset Allocation

- A. The funds are to be diversified to include stocks, fixed income, and, when necessary or advisable, cash or money market funds.
- B. The common stock allocation guideline is 60% of the market value of the portfolio, and the fixed income allocation guideline is 40% of the market value of the portfolio. The primary purpose of the stock allocation is to produce a level of appreciation equal to or greater than the rate of inflation over the long term. The primary purpose of the fixed income allocation is twofold: to ensure that a significant part of the portfolio produces current income and to control the risk of the portfolio. For purposes of monitoring the allocation, the Board considers an allocation within 2 1/2% of the guideline to be in compliance.
- C. In keeping with industry practice, for the purposes of asset allocation, fixed income includes bonds, preferred stocks, cash and cash equivalents. Stocks include common stocks, real estate investment trusts, convertible preferred stocks and convertible bonds.
- D. The Investment Advisor is responsible for monitoring the asset allocation and the production of income in the portfolio, for recommending adjustments to the asset allocation if necessary, and for recommending securities to purchase or sell.

IV. Characteristics of the Stock Portfolio.

- A. The stock portfolio will consist primarily of common stocks but may include other equity type investments such as convertible preferred stocks, convertible bonds and real estate investment trusts.
- B. No single stock holding at the time of purchase shall exceed 5% of the market value of the stock portfolio, except that preferred stocks and real estate investment trusts may comprise up to 10% of the market value of the stock portfolio at time of purchase.
- C. No single issuer shall represent more than 15% of the stock portfolio. The stock portfolio shall be diversified across economic sectors.
- D. The Investment Advisor is responsible for presenting purchase candidates to the Board and recommending either immediate purchase or addition to the Approved List. The Approved List shall consist of stocks which the Board has approved for purchase based upon favorable characteristics of the issuer, including compliance with Friends' values as well as a strong financial record and forecast. Additionally, these issuers shall reflect established earnings ability rather than speculative new ventures.
- E. The Investment Advisor is responsible for the selection and timing of purchases within the constraints listed above.

V. Characteristics of the Fixed Income Portfolio

- A. Fixed Income will consist primarily of bonds, but may include preferred stocks.
- B. No single bond holding at the time of purchase shall exceed 15% of the bond portfolio.
- C. No single issuer shall represent more than 15% of the bond portfolio.
- D. The minimum rating for a bond to be acceptable to the portfolio is Baa or BBB. No more than 30% of the bond portfolio may be invested in Baa or BBB issues.
- E. The bond portfolio shall be diversified across economic sectors and maturities.

**Investment Procedures for Current & Prospective Constituents
New England Yearly Meeting Pooled Funds
as of February 14, 2001**

1. **What are the New England Yearly Meeting Pooled Funds and their purpose?**

The Pooled Funds are assets held by New England Friends' organizations or by other organizations serving Friends' purposes which are commingled and managed as a single portfolio in a manner similar to a mutual fund by the Board of Managers for the benefit of the constituent organizations. Each constituent retains its share of ownership of the Pooled Funds proportional to the total portfolio.

The purpose of the Pooled Funds is to provide an investment vehicle to New England Friends' organizations or to other organizations serving Friends' purposes which:

- a. Affirms Friends' testimonies;
- b. Provides professional long-term investment management;
- c. Distributes income quarterly, and
- d. Offers participation in a diversified portfolio to individual organizations that may not be able to achieve adequate diversification by investing their funds alone.

2. **Who should be interested in the Pooled Funds?**

Friends' organizations or other organizations serving Friends' purposes looking for investments with the characteristics listed above should consider investing in the Pooled Funds. These funds are intended to provide a predictable flow of income, achieve some capital appreciation for assets that are to be invested over a long period of time, and are especially appropriate for organizations with a minimum of \$5,000 to invest, but do not have sufficient sums, nor sufficient expertise to manage funds professionally. They are not appropriate for funds that will be invested for less than five years, nor for funds that cannot tolerate any fluctuation in the value of the principal, nor funds that are primarily interested in growth of principal.

3. **Who manages the Pooled Funds?**

The Pooled Funds are managed by the Board of Managers of Investments and Permanent Funds. The New England Yearly Meeting Nominating Committee selects ten New England Yearly Meeting members who serve staggered terms of five years each on the Board. The Board is assisted and guided by a professional advisor, currently The de Burlo Group, Inc., Boston, Massachusetts. Also the NEYM Treasurer and the Clerk of the Finance Committee are ex officio members of the Board. A bank custodian (currently Fleet Bank, Providence, Rhode Island) holds the securities and cash, collects the income and distributes income and principal on instruction from the Board and Investment Advisor.

4. **How does an organization participate?**

Organizations may “buy” units in the Pooled Funds as they would buy shares in a mutual fund. The price of a unit is determined on the last day of each calendar quarter, rather than daily. These are the steps:

- a. An authorized member of the organization wishing to participate should contact the Board Clerk to discuss the suitability of the proposed participation. The Clerk of the New England Yearly Meeting can provide the name and phone number of the current Clerk of the Board of Managers.
- b. The Board Clerk will ask for a minute from the participating organization stating the amount and intent of the participation. For the sake of this explanation, the funds to be added will be called “New Fund.”
- c. The Board Clerk will direct the participant to send the assets constituting the New Fund to the Pooled Funds Custodian and will let the Custodian and Investment Advisor know when to expect the New Fund assets.
- d. The New Fund assets will be held until the end of the calendar quarter in which they were received, if the assets are cash. If the assets are not cash but other liquid securities (non-liquid assets will not be accepted), those securities will be sold, and the net proceeds will be held until the end of the calendar quarter unless, upon consultation, the Investment Advisor recommends that the securities be added to the Pooled Funds. The new funds will be held in a money market fund until the end of the calendar quarter and accrue interest during that time.
- e. At the end of the quarter the value of the assets in the Pooled Funds will be appraised and a unit value will be established by the Custodian. This value is calculated by taking the total market value of the principal of the Pooled Funds and dividing it by the total number of units already invested. The New Fund assets together with the income accrued from receipt until the end of the calendar quarter will purchase shares in the Pooled Funds as of the first day of the following quarter, and thereon will be added to the Pooled Funds. The number of shares will be determined by taking the value of the New Fund assets plus accrued income and dividing the total by the unit value.

5. **Can subsequent additions be made?**

Subsequent additions can be made by the same process. The price per unit will be the unit value at the end of the quarter in which the addition is made.

6. **How can an organization withdraw assets from the Pooled Funds?**

- a. The Clerk of the Board of Managers should be informed that the organization wishes to withdraw some or all of its funds. The Clerk will ask for a copy of the minute documenting the request for withdrawal and directions as to disbursement and will inform the Investment Advisor as to the amount of the withdrawal request.

- b. At the end of the calendar quarter in which the request was made, upon instructions from the Clerk, the Custodian will calculate the number of units being withdrawn by dividing the dollars requested by the quarter end unit value. The Custodian will disburse the funds as soon as possible after the close of the quarter. If a constituent wishes to withdraw completely, the Custodian will calculate the dollar amount by multiplying the quarter end unit value by the number of units the participating organization holds.

It is important to note that withdrawals may only be made at the end of a calendar quarter, and are based upon the unit value as of the quarter end following the request.

If the total being withdrawn constitutes more than 10% of the total value of the Pooled Funds, the participating organization may be charged for the costs of liquidating securities.

7. **What is a unit value?**

A unit value is the equivalent of a mutual fund share price, where the Pooled Funds constitute the mutual fund. When the Pooled Funds were set up in 1968 the unit value was established at \$10 per share. In 1975 there was a ten-for-one split. Unit values are calculated at the end of each calendar quarter by taking the total market value of the principal and dividing it by the total number of participating units.

8. **How is income distributed?**

All income earned on the Pooled Funds during each calendar quarter net of expenses is distributed to the participating organizations in the month following the end of the quarter. Management fees, custodial fees and any other administrative fees are subtracted from income before the income is distributed. The amount distributed is determined by the number of units each organization holds. Quarterly income is distributed only to units that have participated for the entire quarter.

At the beginning of each fiscal year (which starts April 1) the Board estimates the income per unit for the coming year and, in the Annual Report, informs each constituent so that the organization may budget accordingly. While this is only an estimate, in past years the Board has always been able to distribute more income than it had originally projected.

If an organization so chooses, it may purchase additional units with its quarterly income instead of taking the income as a distribution.

9. **How have the Pooled Funds performed and how much do they cost?**

The Pooled Funds have performed well over the long term relative to their investment objectives. Current and historical data showing the annual unit values and income earned per unit after expenses are available on request from the Board Clerk. Past performance, however, is not a guarantee of future performance.

All members of the Board of Managers serve gratis. The costs of management, including advisor, custodial and meeting place fees, are paid out of income prior to distribution. Thus each participating organization pays its proportional share.

10. **When and Where does the Board Meet?**

The Board meets on the second Wednesday of even numbered months. Currently, meetings are held at the Beacon Hill Friends House, 6 Chestnut Street, Boston, Massachusetts, although from time to time the August meeting may be held at New England Yearly Meeting. Visitors are always welcome at meetings, but should contact the Clerk of the Board for the time of the meeting.

11. **How does the Board of Managers make decisions?**

In accordance with the Investment Guidelines included in this booklet, the Investment Advisor in consultation with the Board of Managers selects stocks and bonds to purchase or sell in order to meet the objectives of the Pooled Funds. Execution of transactions is done by the Investment Advisor.

Between meetings certain members approved by the Board may decide by telephone to take action in consultation with the Investment Advisor if circumstances warrant it.

12. **How and what information is reported to the participating organizations?**

After the end of each calendar quarter the Custodian sends each participating organization a statement as of the end of the quarter showing the current market value and net income for the total of the Pooled Funds. The report includes the total number of units in the Pooled Funds during the quarter and a list of constituents with the number of units each held.

In June of each year, following the close of the Pooled Funds' March 31 fiscal year, in conjunction with the Board, the Investment Advisor prepares an annual report which is distributed to all participating organizations, and published in the NEYM Annual Report. The Pooled Funds Annual Report 1) comments on the events of the fiscal year, 2) provides a projection of the new fiscal year's income distribution and 3) reports the market value per unit, total income distributed per unit for the fiscal year just ended, total return per unit and comparable information for prior years.

Addendum 1A: April 2009
Instructions for Opening New Accounts

(1) Make check payable to the NEYM of Friends Pooled Funds with the account and sub-account information noted on both the check and in a cover letter.

(2) Our account information is:

Account Number: 7695700000

Account Title: New England Yearly Meeting of Friends Pooled Funds

Sub-account: [name of your meeting or organization, e.g. Friends Meeting in Cambridge]

(3) Send check and cover letter specifying you are opening a NEW SUB-ACCOUNT to:

Ms. Nancy Ranieri
Custodial Trust Account Manager
Bank of America
MAS-100-17-06 17th Floor
Boston, MA 02110

Telephone: 617-434-7633

Fax: 617-434-1174

Email: nancy.a.ranieri@bankofamerica.com

(4) The Board of Managers requests that you copy the Treasurer of the Board of Managers on your communication with Bank of America, or contact the Treasurer directly by email or by phone so we can track your transaction in a timely fashion.

Ralph Gentile, 2008-2009 Treasurer, Board of Managers
108 Pine Street
Andover, MA 01810-1722
781-860-6412
rbgentile@verizon.net

(5) Fund transactions occur only at the close of the quarter, based on unit value of calculations as of that date. So, any deposits received during the course of the quarter will be placed in a holding account until then.

(6) If you have any concerns about this process, please contact the Clerk of the Board of Managers:

Roberta Chicos, 2008-2009 Clerk, Board of Managers
One School Street, #404
Arlington, MA 02476
781-641-2807
neymooledfunds@neym.org

Addendum 1B: April 2009
Instructions for Depositing Additional Funds to Existing Accounts

(1) Make check payable to the NEYM of Friends Pooled Funds with the account and sub-account information noted on both the check and in a cover letter.

(2) Our account information is:

Account Number: 7695700000
Account Title: New England Yearly Meeting of Friends Pooled Funds
Sub-account: [name of your meeting or organization, e.g. Friends Meeting in Cambridge]

(3) Send check and cover letter specify you are making a deposit an existing sub-account to:

Ms. Nancy Ranieri
Custodial Trust Account Manager
Bank of America
MAS-100-17-06 17th Floor
Boston, MA 02110

Telephone: 617-434-7633
Fax: 617-434-1174
Email: nancy.a.ranieri@bankofamerica.com

(4) The Board of Managers requests that you copy the Treasurer of the Board of Managers on your communication with Bank of America, or contact the Treasurer directly by email or by phone so we can track your transaction in a timely fashion.

Ralph Gentile, 2008-2009 Treasurer, Board of Managers
108 Pine Street
Andover, MA 01810-1722
781-860-6412
rbgentile@verizon.net

(5) Fund transactions occur only at the close of the quarter, based on unit value of calculations as of that date. So, any deposits received during the course of the quarter will be placed in a holding account until then.

(6) If you have any concerns about this process, please contact the Clerk of the Board of Managers:

Roberta Chicos, 2008-2009 Clerk, Board of Managers
One School Street, #404
Arlington, MA 02476
781-641-2807
neymooledfunds@neym.org

Addendum 1C: April 2009
Instructions for Withdrawal of Funds from Accounts

(1) The Treasurer informs the Bank of America Account Manager of the amount to be withdrawn. Include the amount for withdrawal, the account and sub-account information in the letter.

(2) Our account information is:

Account Number: 7695700000

Account Title: New England Yearly Meeting of Friends Pooled Funds

Sub-account: [name of your meeting or organization, e.g. Friends Meeting in Cambridge]

(3) Send letter to:

Ms. Nancy Ranieri

Custodial Trust Account Manager

Bank of America

MAS-100-17-06 17th Floor

Boston, MA 02110

Telephone: 617-434-7633

Fax: 617-434-1174

Email: nancy.a.ranieri@bankofamerica.com

(4) The Board of Managers requests that you copy the Treasurer of the Board of Managers on your communication with Bank of America, or contact the Treasurer directly by email or by phone so we can track your transaction in a timely fashion.

Ralph Gentile, 2008-2009 Treasurer, Board of Managers

108 Pine Street

Andover, MA 01810-1722

781-860-6412

rbgentile@verizon.net

(5) Fund transactions occur only after the close of the quarter.

(6) If you have any concerns about this process, please contact the Clerk of the Board of Managers:

Roberta Chicos, 2008-2009 Clerk, Board of Managers

One School Street, #404

Arlington, MA 02476

781-641-2807

neympooledfunds@neym.org

Addendum 2: April 2004

Collateralization of NEYM Pooled Funds Assets

Introduction

Institutions investing in New England Yearly Meeting Pooled Funds may wish to use a part of the value of their investment as collateral for loans associated with important and costly projects. It is the hope of the Board of Managers that this collateralization option will increase the ease with which Pooled Fund participants may finance projects important to the nurturing of their community.

Covenants

The maximum total collateralization of the NEYM Pooled Funds is limited to 10% of the investment value of the fund. Collateralization rights will be awarded on a first come, first served basis to qualified Pooled Fund participants.

Following are certain requirements that must be met by each institution to collateralize part of their investment in the NEYM Pooled Funds.

- 60% Maximum Collateralization to Investment Value
 - The percent that your collateralization represents of your total investment in the Pooled Funds will be calculated March 31st of each year.
 - Should the percentage collateralization rise above 60% a letter will be sent by the Board Treasurer requiring investment additions to the Pooled Funds in an amount to bring collateralization to the 60% maximum amount within one month.
 - Withdrawals from the Pooled Funds will not be allowed should the withdrawal bring collateralization below the 60% maximum amount.
 - Failure to comply with 60% maximum collateralization to investment value will result in loss of collateralization privilege.
- Collateral to be Used for Capital Projects Only
 - Collateralization is to be used only for projects investing in hard assets (building projects and equipment purchases are two examples). The Board may request proof of adequate insurance to cover these projects.

Procedure

1. Send letter to Clerk, NEYM Board of Managers of Pooled Funds containing the following information:
 - Dollar amount of collateralization required.
 - Description of project to be financed.
 - Date by which collateralization approval is required.
 - Copy of lender's commitment letter describing financing terms.
2. Meet with Board of Managers at Beacon Hill Friends House, 6 Chestnut Street, Boston, MA to present collateralization request.
3. Receive letter of collateralization decision from Board of Managers.