



# **The Unitarian Universalist Common Endowment Fund, LLC**

## **Investment Information Memorandum**

**An Investment Vehicle for Endowment Funds  
of  
The Unitarian Universalist Association  
and  
Unitarian Universalist Congregations  
and Related Organizations**



- **An Investment Fund Seeking Long-Term Investment Returns**
  - **Portfolio Diversification and Professional Asset Management**
  - **Socially Responsible Investing Goals**
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The Unitarian Universalist Common Endowment Fund, LLC (the "Fund") is an investment vehicle managed by the Unitarian Universalist Association (the "UUA") for investment of the UUA's own endowment funds and the endowment funds of UU congregations and related organizations. The Fund was formed in 2012 to operate as the successor to the UUA's General Investment Fund, which is of the UUA itself and has operated under the name of the Unitarian Universalist Common Endowment Fund. Congregations and related UU organizations (together, "Congregations") that invest in the Fund acquire an interest in the Fund itself and become members of the Fund, and do not acquire an interest in the UUA.

This "Investment Information Memorandum" contains information that may be important to know prior to investing in the Fund, including information about risks. Please read it before you invest and keep it for future reference.

Please note that the exhibits referenced and included within this document are an integral part of the information required to make an informed decision. Accordingly, please do not enter into a Subscription Agreement or make an investment until you have completely read and understood these materials.

**IN MAKING AN INVESTMENT DECISION, INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE FUND, THE UUA AS THE FUND'S MANAGER AND THE TERMS OF THE OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED. THESE SECURITIES HAVE NOT BEEN RECOMMENDED BY ANY FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE. THESE SECURITIES ARE SUBJECT TO RESTRICTIONS ON TRANSFERABILITY AND RESALE AND MAY NOT BE TRANSFERRED, RESOLD OR ENCUMBERED WITHOUT THE EXPRESS WRITTEN CONSENT OF THE UUA ON BEHALF OF THE FUND. INVESTORS SHOULD BE AWARE THAT THEY MAY BE REQUIRED TO BEAR THE FINANCIAL RISK OF THIS INVESTMENT FOR AN INDEFINITE PERIOD OF TIME.**

**ONLY ENTITIES THAT ARE UU CONGREGATIONS WHICH QUALIFY AS "CHARITABLE ORGANIZATIONS" UNDER SECTION 3(C)(10) OF THE INVESTMENT COMPANY ACT OF 1940 MAY INVEST IN THE FUND.**

[Tennessee Residents: These Securities are being issued pursuant to T.C.A. Section 48-2-103(a)(7), which is an exemption from the following statutes: T.C.A. Section 48-2-104 (Securities Registration Requirement -Civil Penalty), T.C.A. Section 48-2-113 (Filing of Sales and Advertising Literature), and T.C.A. Section 48-2-124 (Scope of Law -Service of Process). The Fund qualifies for the exemption provided for under T.C.A. Section 48-2-103(a)(7) because it is operated not for profit, but exclusively for religious, educational, benevolent, and charitable purposes. The Fund has never been the subject of any stop order, denial, order to show cause, suspension, or revocation order, injunction or restraining order, or similar order entered by or issued by any regulatory authority or by any court, concerning the securities covered by this notice or other securities of the Fund that are currently being offered to the public. Neither the Fund nor any affiliate or predecessor has had any material default during the past ten (10) years in the payment of: (i) principal, interest, dividends or sinking fund installments on any security or indebtedness for borrowed money; or (ii) rentals under material leases with terms of three (3) years or more.]

Virginia residents must be corporations organized under the laws of the Commonwealth of Virginia.

Florida and Tennessee Residents: Pursuant to Florida Rule 69W-400.001(Z) and the Tennessee Rule 0780-4-2.07(2)(c)(1), please find enclosed a supplement containing the audited financial statements of the Fund, or of the UUA as the Fund's predecessor, for the past 3 fiscal years.

## **A. Overview**

### **1. What is the UUCEF?**

If you have responsibility for an endowment fund at your congregation or Unitarian Universalist (“UU”) related organization, you may recognize (and feel deeply about) several objectives:

- To grow the assets of the fund
- To generate operating income for your congregation
- To invest in a way that reflects UU values

The Fund is a professionally managed, diversified investment fund, managed by the Unitarian Universalist Association (“UUA”), formed to manage the assets of congregations, regions, districts, and other UU-related organizations (congregations, districts and UU-related organizations are collectively referred to as “UU Congregations”). The Fund was formed in 2012 as a Massachusetts limited liability company, has been qualified as a charity under section 501(c)(3) of the Internal Revenue Code and will commence operations on July 1, 2015 (the “Fund Commencement Date”), as the successor to the UUA’s General Investment Fund (which operated under the name of the Unitarian Universalist Common Endowment Fund (the “UUCEF-GIF”)). We use the term “UUCEF” below to refer both to the Fund and the UUCEF-GIF.

Currently, over 400 UU Congregations entrust the management of all or a portion of their investment assets to the UUA for investment in the UUCEF, which is part of the UUA. Prior to the Fund Commencement Date all UU Congregations participating in the UUCEF will be required either to transfer their investments to the Fund and become members of the Fund or to liquidate their UUCEF investments. From and after the Fund Commencement Date, the Fund will be available for investment both by UU Congregations that previously invested in the UUCEF and new UU Congregations that previously did not participate in the UUCEF.

As manager of the Fund, the UUA will follow the same investment policies and use the same decision-making procedures that the UUA has followed and used in managing the UUCEF, subject to a right on the UUA’s part to change those policies and procedures upon notice to investing UU Congregations.

Established in 1962 as a common investment fund<sup>1</sup>, assets of the UUCEF currently are, and assets of the Fund will be, held in US and international equities, domestic and global fixed income securities and other holdings intended to provide broad diversification.<sup>2</sup>

The Fund is available for the investment of endowment funds, unrestricted quasi-endowment funds, trust funds, and other assets of UU Congregations that have a long-term investment perspective and the need for income to support their missions. The description of the UUCEF that follows generally applies both the UUCEF prior to the Fund Commencement Date and to the Fund from and after the Fund Commencement Date.

The UUCEF’s goals are to provide:

- Growth in the value of invested assets
- Sustainable distributions for congregational support

In order to reach these goals, the UUCEF has the following investment objective: With the guiding lens of Unitarian Universalist values and principles, strive to achieve consistent returns within a moderate risk tolerance over the long term, sufficient to allow Congregations take regular distributions and maintain the value of principal after adjustment for inflation and after all expenses.<sup>3</sup> It pursues this goal through diversification among asset classes (large cap equities, small cap equities, fixed income, global asset

allocation funds, private capital, and hedge funds), geography (U.S., international developed markets and emerging markets) and investment managers (the UUCEF currently uses 25 money management firms, each with its own specialty, which are referred to herein as “Investment Manager(s)”).<sup>i</sup>

Investing in the UUCEF can relieve an organization of the responsibilities of investment management and move that task to professional managers and advisors, whose work is directed and monitored by a team consisting of the UUA Board of Trustees (“Board”), the UUA Investment Committee (“Investment Committee” or “IC”), the UUA Socially Responsible Investment Committee (“SRIC”) and the UUA staff.<sup>ii</sup>

The UUCEF brings investors an added dimension – an active program of Socially Responsible Investing (“SRI”), which focuses on making investment decisions that reflect UU values and contribute to positive social and environmental change. The UUCEF’s SRI goals are realized by work in three areas: Shareholder advocacy (including proxy voting), community investing, and investment screening through stock selection.<sup>iii</sup>

As of December 31, 2020, the UUCEF held assets valued at approximately \$243 million. About \$109 million of that consisted of the UUA’s own endowment assets, and the balance represented funds from UU Congregations and trusts benefiting congregations. Individuals may not invest in the UUCEF.

## **1. Why Invest in the UUCEF?**

The UUCEF is an alternative for UU Congregations that currently manage or direct the investment of their own assets. The UUCEF is more than a single investment option – it is an investment program that implements a range of key tasks that may be challenging (and costly) for any single UU Congregation to perform on its own. Under oversight of the Board, and with the advice of an investment consulting firm, the Investment Committee<sup>iv</sup> selects professional outside consultants and Investment Managers. Collectively, these groups and individuals work to:

- Establish investment policies and operating procedures with ethical standards that are aligned with UU values
- Set long-term asset allocation targets
- Select and monitor investment managers
- Utilize UU committee members for guidance, several of whom are investment professionals
- Receive oversight from the UUA Financial Advisor and the UUA Treasurer (“Treasurer”)
- Report to the Board, as fiduciary of the UUCEF
- Regularly rebalance the UUCEF to its strategic asset allocation targets
- Insure that the books and records of the UUCEF are audited by a major accounting firm

Service capabilities are built around the needs of UU Congregations, such as:

- Ability to segregate restricted and unrestricted funds<sup>v</sup>
- Distribution payments each quarter, if requested
- Flexible annual distribution rates
- Quarterly statements and performance reports
- Monthly statements and performance reports posted online
- Quarterly conference calls
- Regular communications
- Commitment to responsive, high quality service from dedicated UUA staff

## **2. Managing Investment Risk**

When managing their own endowments, UU Congregations face an increasingly complex set of challenges, such as:

- Establishing investment policies

- Implementing an asset allocation strategy
- Selecting investments and/or Investment Managers
- Rebalancing the portfolio on a consistent schedule
- Monitoring performance
- Implementing portfolio changes
- Controlling costs
- Ensuring good accounting and audit practices
- Enforcing good Investment Committee governance
- Complying with the Uniform Prudent Management of Institutional Funds Act and other regulations
- Managing and investing in line with UU values

Each of these responsibilities has its own risks, regardless of the asset size of the endowment fund or the investment experience of its trustees. UU Congregations may not have the time and expertise to manage these risks and generate the investment returns they seek.

By investing in the Fund, UU Congregations can transfer the responsibilities of investment management to a team of UUA committee members, staff, and outside professional managers and advisors and take advantage of a comprehensive approach already in place – one with investment practices that express and support UU values through SRI.

By investing in the Fund, your UU Congregation can:

- Free-up time and energy that can be devoted to other productive activities
- Gain peace of mind with professional management
- Increase the extent to which your assets are managed in a socially responsible manner
- Benefit from reduced transaction and management fees available to a larger fund.

#### **4. How the Fund Works**

##### *Subscribing to the Fund.*

UU Congregations that currently participate in the UUCEF-GIF and wish to continue to invest in the UUCEF (“Initial Fund Members”) may do so through the Subscription Agreement for this offering. Through that Subscription Agreement, they may instruct the UUA, effective on the Fund Commencement Date, to transfer their undivided interest in the UUCEF-GIF to the Fund. As a result, they will exchange their interest in the UUCEF-GIF (which constitutes a claim against the UUA) for an interest with the same value in the Fund and become members of the Fund on the Fund Commencement Date.

A UU Congregation that is not an investor in the UUCEF-GIF on the Fund Commencement Date (a “New Fund Member”) likewise may invest in and become a member of the Fund through the Subscription Agreement, but will need to remit payment for the full amount of the subscription. Once a Subscription Agreement is received and approved, and payment of the subscription amount has been received, the Fund will confirm the UU Congregation’s starting date as an investor.<sup>9</sup>

*Contributions.* From and after the Fund Commencement Date, Initial and New Fund Members (together, “Members”) may send money to the Fund office at any time; however, that money will be held in a separate Fund bank account and not invested in the Fund until the beginning of the next calendar month. In order to be invested in the Fund in a timely manner, new contributions must be received by the Fund by a monthly “Valuation Date”, which is the last business day of each month. We recommend that new contributions to the Fund be received by the Fund at least 3 business days prior to the Valuation Date.

*Units of Ownership.* Each Member is allocated a certain number of units of the Fund, based on the value of the assets the Member places in the Fund. The net asset value (“NAV”) of each unit is calculated based on the value of the Fund assets at the close of business on the last day of each month. Money invested in the Fund is pooled with all other assets of the Fund and invested according to the Unitarian Universalist Association’s Investment Policy (“Investment Policy”), the Investment Committee Guidelines

("IC Guidelines") and, with respect and to the extent that the assets are directly managed on behalf of the UUA and in certain selected investment vehicles, the Socially Responsible Investing Guidelines ("SRI Guidelines") or other applicable socially responsible investing criteria (together the "Investment Policies and Guidelines").<sup>10</sup>

*Withdrawals.* When an investor requests a withdrawal from the Fund, sufficient units of the Fund are redeemed by the Fund at the unit's NAV as of the next Valuation Date. Investors may request a withdrawal by giving notice to the Fund, care of the UUA Treasurer, at least 30 days prior to the applicable Valuation Date if they wish to withdraw \$100,000 or more and at least 10 days prior to the applicable Valuation Date if they wish to withdraw less than \$100,000.

*Quarterly Distributions.* A Member may elect to receive regular distributions from the Fund. Under the Subscription Agreement, Members may select an annual distribution rate as a percentage of the applicable average unit value described in Section 6 of the Subscription Agreement. For accounts with a market value over \$25,000.00, distribution payments are issued via ACH on or about the 15th day of January, April, July, and October. For accounts with a market value of less than \$25,000.00, distributions will be paid on or about the 15<sup>th</sup> of July. In the event that no distribution rate is selected, no money will be distributed to the Member.

Members can access monthly and year-to-date statements online that show all activity related to their investment in the Fund.

## **II. INVESTMENT OBJECTIVES**

The overall investment objective of the UUA, as manager of the UUCEF, is to increase the UUCEF's asset value in order to maintain real purchasing power while allowing for regular endowment distributions. With the guiding lens of Unitarian Universalist values and principles, the Fund seeks to achieve consistent returns within a moderate risk tolerance over the long term, sufficient to allow UU Congregations to take regular distributions and maintain the value of principal after adjustment for inflation and after all expenses ("Target Return Objective"). The UUCEF attempts to achieve this goal by ensuring that the Investment Managers adhere to the parameters set forth in the Investment Policies and Guidelines. These objectives are consistent with the needs of many UU Congregations, which typically draw 4% to 5% of their investment balance each year to support their activities.

One of the most important responsibilities of those overseeing an endowment fund is to preserve and grow the purchasing power of the fund's assets. "Real Asset Growth" of an investment is achieved only when the total investment return exceeds the annual loss of purchasing power (measured by inflation) and distributions.

$$\text{Real Asset Growth} = \text{Total Investment Return} - (\text{less}) \text{ Inflation and Distributions}$$

Those with investment responsibilities at UU Congregations may not have the resources to achieve Real Asset Growth over the long term on their own – through market cycles and changing economic conditions. At UU Congregations, the future of your endowment fund will depend on it.

## **III. INVESTMENT POLICIES AND GUIDELINES**

The Investment Committee is appointed by the UUA Board of Trustees, and operates under the Investment Policy adopted by the Board. The Investment Policy authorizes the Investment Committee to interpret and implement the Investment Policy, establish IC Guidelines (including the investment objectives above), and report regularly to the board. The Investment Committee establishes the asset allocation policy that sets target commitments for each asset class. The committee is also responsible for<sup>11</sup> setting guidelines for rebalancing asset classes and reviewing them on at least a quarterly basis.

### **A. Socially Responsible Investing: Reflecting UU Values**

When a UU Congregation becomes an investor in the UUCEF, its voice is amplified by joining with other investors in the UUCEF. The UUA believes this gives UU Congregations an opportunity to have a more powerful and wide-ranging impact on corporate behavior and other issues of deep concern to Unitarian

Universalists. Within the specified parameters, these SRI initiatives represent an effective way to bring UU ideals to the marketplace and for UU Congregations to fulfill their SRI goals. Specifically, shareholder advocacy and proxy voting initiatives seek to give investors a way to have UU values represented, year after year, under a focused and coordinated program to change the behavior of US and multi-national corporations. This program is implemented through collaboration among UUA staff, the SRIC and the Investment Committee.

## **1. Shareholder Advocacy**

The UUA believes it should take full advantage of rights as a shareholder to express UU values on key issues to corporations in which money is invested. Shareholder advocacy addresses such issues as equal opportunity employment, board diversity, executive compensation, non-discrimination based on sexual orientation and gender identity or expression, global labor standards, and environmental issues like climate change through the following activities:

- Filing and co-filing shareholder resolutions;
- Voting on all issues presented in the proxy statements for corporate annual meetings;
- Presentations of resolutions at corporate annual meetings; and
- Dialogues with corporate management.

The UUA is a member of the Interfaith Center on Corporate Responsibility (“ICCR”), a coalition of religious investors from many faith traditions. Together with other institutional investors, it uses its members' collective ownership in corporations to challenge management and boards of directors to improve their policies concerning social, environmental, and corporate governance issues.

Shareholders, particularly institutional shareholders, can influence decision makers of publicly traded corporations to engage in ethical and sustainable business practices. Ownership in a company confers the opportunity to take positive action for others and the world in which we live. As a shareholder, the UUCEF has the right to vote on many issues regarding financial, governance, social and environmental issues. Many of these subjects are complex and difficult to follow within a portfolio with hundreds of holdings. Fund Members are served by the UUA and its partner organizations, which follow shareholder issues, monitor them carefully and then implement proxy voting guidelines consistent with UU values.

To support these efforts on behalf of the Fund, the UUA uses the services of Institutional Shareholder Services (“ISS”), a firm that conducts research on proxy matters, makes recommendations and then handles proxy voting on shares owned by the Fund as the UUA directs. Because it serves a range of institutional clients interested in similar services, ISS has the resources to monitor the large number of issues related to companies in which the UUCEF invests. In the course of a year, ISS will cast over one thousand votes with hundreds of companies on behalf of the UUCEF. The UUA receives regular reports on how its proxies are voted and the results of those votes, and posts this information on the UUCEF website.<sup>i</sup>

## **2. Community Investing**

Community Investing is financing that creates resources and opportunities for economically disadvantaged people and communities. It supports development initiatives in low-income communities both in the United States and in developing countries. The UUCEF commits approximately 1% of its assets to community investments. The SRIC, in close cooperation with the Treasurer, makes decisions regarding the choice of community development investments. Options for community investment include community development banks, credit unions, loan funds, venture capital funds, and other institutions offering investment products that support community development. Funds may also be deposited with micro-enterprise lenders, which make small loans around the world to worthy persons and projects with the goals of building self-sufficiency, addressing violence, and alleviating poverty.



### **3. Investment Screening**

How and where we choose to invest can forcefully proclaim our UU ideas. Investment screening is the practice of excluding investments from portfolios based on social, environmental and governance criteria. It also includes weighting portfolios towards companies that perform better on these criteria and avoiding the poor performers. Screening criteria are designed to represent UU values, as expressed in General Assembly Resolutions, Board resolutions and the UUA Purposes and Principles.<sup>13</sup> The UUA employs Sustainalytics, which specializes in SRI issues, to rate over 1,000 U.S. companies based on these values and to advise on which companies to exclude from the portfolio. These criteria are applied to the UUCEF's separate accounts; that is, accounts in which the manager selects individual stocks and bonds that are owned directly by the Fund.

The majority of the Fund's assets are invested in pooled investments such as mutual funds and private co-mingled funds. The Investment Committee endeavors, in connection with selecting the pooled vehicles in which the UUCEF invests, to choose, to the extent available and with due regard to investment performance, pooled vehicles that reflect our UU values to the greatest extent possible. The UUCEF's assets that are invest in pooled investments vehicles represent only a small portion of all investors' assets in such vehicles. As a result, it is not possible for the UUA to apply the SRI Guidelines and screens directly to the holdings of the pooled investment vehicles in which the UUCEF invests.

Socially responsible investors seek to own financially strong companies that make positive contributions to society. This is often termed "positive" screening. With a portion of its US equity investments, the UUCEF weights the portfolio towards companies that perform better on employee and community relations, environmental practices, safe and useful products, and demonstrated respect for human rights in all countries where they operate. The UUCEF also actively avoids investing in companies whose products and business practices are harmful or unethical. This is termed "negative" screening.

#### **A. Investment Managers and Consultants**

Independent Investment Managers and consultants are used to implement each component of the Policies. On behalf of the UUCEF, the Investment Committee selects experienced Investment Managers that have solid performance records and whose business practices are consistent with inclusiveness, and-discrimination, and an active commitment to workplace diversity. The Investment Committee uses NEPC to employ a rigorous selection process and to continually monitor the performance of outside Investment Managers to ensure that objectives are met, and all Policies and Guidelines are followed.

A large universe of asset managers exists, and the Investment Committee, with the advice of NEPC, takes great care in selecting only those Investment Managers that meet the UUCEF's criteria for professional investment process, potential sustainable return patterns, acceptable risk, and competitive fees.<sup>14</sup> Performance is considered over a three-to-five-year time horizon. NEPC produces detailed market and manager performance analysis quarterly, which is reviewed in detail by the Investment Committee. The investment consultant also produces monthly "flash" reports, which are reviewed by staff, and corrective action is taken if considered to be in the best interest of the UUCEF.

#### **B. Asset Allocation**

The IC Guidelines call for the allocation of invested funds to various asset classes in order to maximize long-term investment returns, including generation of current income and capital appreciation, while reducing risk. The Investment Committee has adopted the Asset Allocation Policy described in the IC Guidelines.<sup>15</sup> Actual asset allocation is reviewed regularly and rebalanced to target allocations quarterly or when asset class weighting is outside of its target range.

To meet its objectives, the UUCEF's Asset Allocation Policy calls for a diversified mix of asset classes. This strategy is intended to balance the desire to maximize returns with minimizing volatility.

The UUCEF's performance summary is updated monthly and is posted on the UUCEF website.<sup>16</sup>

#### **IV. Expenses**

Costs associated with the UUCEF are paid by the UUCEF and will reduce the earnings of the Fund's Members by about 1% per year. This amount includes all costs for Investment Management, custodial services, proxy voting, an annual audit, investment consultants, and the UUA's administrative fee of 0.20%. See Exhibit A for a complete description of all of the expenses associated with the UUCEF and Exhibit E for the Audited Financial Report of the UUA, which further details these expenses.

The largest expenses incurred by the UUCEF are the fees paid to the Investment Managers responsible for portfolio management. The UUCEF is able to keep the total fee for all services at this low level because of economies of scale. The fixed cost of some services is a lower percentage when spread across multiple funds. Further, because of its size, the UUCEF generally receives more favorable rates for asset management and custody services than would be available to smaller pools.

The UUA's administrative fee covers staff costs and other administrative expenses. This fee is analyzed periodically to ensure that it reflects the actual costs to the UUA of administering the UUCEF.

#### **V. Risk Factors**

The risks enumerated below do not encompass all of the possible risks associated with an investment in the Fund. Prospective investors should read this entire Investment Information Memorandum and consider the advice of their own advisers before investing. In addition, as the UUCEF's investment program develops and changes over time (subject to limitations established by the UUCEF's Investment Policies and Guidelines), an investment in the Fund may in the future be subject to additional and different risk factors. There can be no assurance that the UUCEF will achieve its investment objectives or its Target Return Objective. Prospective investors should consider, among other matters, the following risks before investing in the Fund.

It is possible to lose money by investing in Fund. Factors that may influence the value of Fund-owned securities and, hence, Fund unit value, may include:

**Operating History.** Although the UUCEF has generally delivered positive annual returns, Members should not rely on past performance as an indication of future results. No assurance can be given as to any return that a Member will earn on a unit.

**Investing Judgment.** All securities investments risk the loss of capital. The success of the investment strategies employed by the UUCEF is subject to the judgment and skills both of the Investment Managers hired to manage the UUCEF and of the Investment Committee in determining which Investment Managers to hire and the investment strategies into which the Fund's assets will be allocated. There can be no assurance that the investment decisions or actions of any of these parties will be correct. Incorrect decisions or poor judgment may result in losses, which might be substantial.

**Systematic Market Risk.** Although the Fund's investments will be allocated among various asset classes, both by type of security and geographically, all markets tend to correlate under certain conditions, such as sudden or accumulated shocks relating to credit quality, significant changes in the regulatory environment, acts of God, terrorism or any other events that may give rise to a sudden and broad based loss in confidence in financial markets leading to across-the-board withdrawals of assets from investment vehicles or panic selling by investors of their own direct investments. Under such conditions positions that generally have no or low correlation with each other may suddenly become highly correlated, resulting in significant increases in changes in the price of a given security or an entire portfolio. Under such conditions the Fund might incur substantial losses.

**Interest Rate Risk.** The Fund may have exposure to interest rate risk. To the extent prevailing interest rates change, it could negatively affect the net asset value of investors' units.

**Equities.** Equity investments are routinely subject to substantial volatility. In the event of adverse developments relating to the companies that issue them, equities may be subject to material loss of value. In the event of bankruptcy, losses can amount to 100% of invested amount.

**Credit Risk.** A primary focus of the UUCEF is to invest in debt obligations of corporate or government issuers. Credit risk is defined as the risk of non-payment or delayed payment of principal or interest by the borrower as stipulated under the terms of the debt obligation. Any time the Fund invests in such obligations, it is exposed to credit risk. The UUA as manager relies on the UUCEF's Investment Managers to properly assess the credit risk to which the UUCEF's assets are subject and to select the optimal risk-adjusted return in taking on credit risk. Since this process is not an exact science and will be dependent on the judgment of the Investment Managers, there is significant scope for error and, therefore, possible loss to Members.

**Foreign Investments Generally.** A significant portion of the UUCEF's assets may be invested in pooled investment vehicles that invest in securities denominated in foreign currencies and/or traded outside of the United States or comparable Western nations. Such investments require consideration of certain risks typically not associated with investing in U.S. securities. Such risks include, among other things, trade balances and imbalances and related economic policies, unfavorable currency exchange rate fluctuations, imposition of exchange control regulation by the United States or foreign governments, United States and foreign withholding taxes, limitations on the removal of funds or other assets, policies of governments with respect to possible nationalization of their industries and political difficulties, including expropriation of assets, confiscatory taxation and economic or political instability in foreign nations.

An issuer of securities may be domiciled in a country other than the country in whose currency the security is denominated. The values and relative yields of investments in the securities markets of different countries, and their associated risks, are expected to change independently of each other. There may be less publicly available information about certain foreign companies than would be the case for comparable companies in the United States, and certain foreign companies may not be subject to accounting, auditing and financial reporting standards and requirements comparable to or as uniform as those of United States companies. Securities markets outside the United States, while growing in volume, have for the most part substantially less volume than U.S. markets, and many securities traded on foreign markets are less liquid and their prices more volatile than securities of comparable U.S. companies. In addition, settlement of trades in some non-U.S. markets is slower, less systematic and more subject to failure than in U.S. markets. There also may be less extensive regulation of the securities markets in countries other than the United States.

Additional costs could be incurred in connection with the international investment activities of the UUCEF. Foreign brokerage commissions generally are higher than in the United States. Expenses also may be incurred on currency exchanges when investment vehicles in which the UUCEF invests effectively shift investments from one country, or group of countries, to others. Increased custodial costs as well as administrative difficulties (such as the applicability of foreign laws to foreign custodians in various circumstances, including bankruptcy, ability to recover lost assets, expropriation, nationalization and record access) may be associated with the maintenance of assets in foreign jurisdictions.

**Private Equity Investments Generally.** Some portion of the UUCEF's assets may be invested in private equity funds or other private pooled investments. These types of securities typically do not have active, liquid markets for secondary trading, and their underlying investments generally are not themselves publicly traded. As a result, the purchase of interests in such funds carries additional risks, including the risk that the underlying value of such interests is subject to greater uncertainty than is the case with mutual funds that invest solely in publicly-traded securities, and the risk that such interests may be

subject to both contractual limits and practical limits on how quickly they can be resold by the UUCEF, and at what price.

**Socially Responsible Investing.** The UUCEF's portfolio is subject to SRI screening. As a result, the universe of acceptable investments for the UUCEF is limited as compared to other funds that do not apply such screening. The UUCEF may exclude certain securities from its portfolio based on SRI criteria when it would be otherwise advantageous to invest in these securities, or it may sell certain securities for social or environmental reasons when it is otherwise advantageous to retain them.

**Emerging Markets.** A portion of the UUCEF's assets may be invested in pooled investment vehicles that invest in so-called emerging markets or less developed countries. It is possible, therefore, that certain of the UUCEF's investments may be held in countries characterized by less stable economic or political conditions than in the largest mature Western economies. Emerging market investing is generally characterized as having higher levels of risk than in fully developed markets.

**Short Selling.** Certain funds in which the UUCEF invests may engage in short selling. In selling short, the UUCEF bears the risk of an increase in the value of the instrument sold short above the price at which it was sold. Such an increase could lead to a substantial (theoretically unlimited) loss.

**Trading in Forward Contracts.** Certain funds in which the UUCEF invests may engage in the trading of forward contracts in the interbank market from time to time. In contrast to contracts traded on an exchange, forward contracts in the interbank market are not guaranteed by any exchange or clearing house and are subject to the creditworthiness of the counterparty of the trade. In certain instances these funds also rely on futures dealers. Because the futures dealer may, at times, be the sole counterparty with respect to a significant part or all of the UUCEF's assets, the UUCEF may have credit risk to the futures dealer. If the UUCEF holds funds that invest in forward contracts in the interbank market, it will have credit risk with a counterparty. In the event of the bankruptcy of counterparty, the fund may be treated as a general creditor of the counterparty and may not be able to recover any of its assets held as margin by the counterparty, or any unrealized gains on open contracts.

**Illiquid Markets.** In some circumstances the markets in which the UUCEF invests may be illiquid, making it difficult to acquire or dispose of contracts at the prices quoted on the various exchanges or at normal bid/offer spreads quoted off exchange. These and other factors mean that, as with other investments, there can be no assurance that trading in these markets will be profitable.

**Currency Risks.** The UUCEF may invest significantly in pooled investment vehicles that invest in securities denominated in currencies other than the U.S. dollar. The Fund will, however, value its securities and other assets in U.S. dollars. To the extent unhedged, the value of the UUCEF's assets will fluctuate with U.S. dollar exchange rates as well as with price changes of the UUCEF's investments in the various local markets and currencies. Thus, an increase in the value of the U.S. dollar compared to the other currencies in which the UUCEF makes its investments will reduce the effect of increases and magnify the U.S. dollar equivalent of the effect of decreases in the prices of the UUCEF's investments in their local markets. Conversely, a decrease in the value of the U.S. dollar will have the opposite effect of magnifying the effect of increases and reducing the effect of decreases in the prices of the UUCEF's foreign investment positions.

**Conflicts as to Brokerage Allocations.** The UUCEF's Investment Managers may allocate a portion of the UUCEF's transactions to broker-dealers that agree to pay certain expenses of the Investment Managers or their affiliates. These may include research related to investment and certain brokerage transaction-related expenses. To the extent that brokerage is allocated on such basis, and commission charges reflect such arrangements, such an Investment Manager will benefit from such arrangements and may be deemed to have a financial conflict of interest with the Fund and its Members. Investment Managers typically do not endeavor to allocate, as between the UUCEF and the Investment Managers' other managed entities and accounts, particular items of expenses paid relative to the vehicle or account generating the particular commission revenues utilized for payment. Accordingly, brokerage allocations

from the UUCEF may have the effect of indirectly benefiting other entities and accounts managed by an Investment Manager (although the opposite may also occur to the UUCEF's benefit).

**Level of Withdrawals.** Substantial withdrawals by Members from the Fund within a limited period of time could require the Fund to liquidate positions more rapidly than would otherwise be desirable, which could adversely affect the value of both the units being redeemed and the outstanding units. In addition, regardless of the period of time in which redemptions or withdrawals occur, the resulting reduction of the Fund's net asset value could make it more difficult for the Fund to generate profits or recover losses.

**No Ability to Resell, Borrow Against or Transfer Units.** Investing UU Congregations will in general not be able to sell, borrow against or otherwise transfer or encumber their units in the Fund and, consequently, will generally be able to liquidate the value of their Fund investments only by means of monthly withdrawals, subject to notice requirements in the Subscription Agreement. The risk of any decline in the net asset value of the Fund, and therefore the value of the Fund units pending the occurrence of a withdrawal date, will be borne by the UU Congregation requesting the withdrawal.

**Limited or No Regulation.** The Fund is exempt from registration as an investment company under the Investment Company Act of 1940, and the offer and sale of Fund units has not been and will not be registered under the Securities Act of 1933, all in reliance upon exemptions applicable to nonprofit entities. The offer and sale of the Fund's units is also exempt from registration and regulation under most, although not all, state securities (or "blue sky") laws. In addition, while the UUA acts as the Fund's manager and falls within the definition of an "investment adviser," the UUA is exempt from registration as an investment adviser under both the Investment Advisers Act of 1940 and Massachusetts law. Accordingly, although certain anti-fraud protections and protections afforded the federal and selected state securities laws may be available, UU Congregations that are Members of the Fund will not generally have the benefits afforded by such registrations.

**Other Activities of the Investment Managers.** The Investment Committee intends to monitor the conflicts of interest applicable to the Investment Managers. However, the Investment Managers manage the funds of many other investors. Accordingly, the UUCEF is subject to actual and potential conflicts of interest arising out of the other activities of the Investment Managers and their affiliates. The Investment Managers and/or their affiliates may advise and manage other investment funds and accounts having investments that are or may be in the future substantially similar to or different from the investments of the UUCEF. Other investment funds and accounts managed or advised by the Investment Managers may also employ investment strategies similar to or different from the investment strategies employed for the UUCEF. Moreover, the Investment Managers (and their respective affiliates) may engage in proprietary trading for their own accounts. The Investment Managers therefore may have conflicts of interest when allocating investment opportunities among the UUCEF and the other investment funds and accounts managed or advised by the Investment Managers and their affiliates, including proprietary accounts. The UUCEF or UU Congregations that invest in the UUCEF will not be in a position to monitor or inspect outside or proprietary trading records of the Investment Managers, their officers or employees or any of their affiliates.

**Exculpation of the UUA the Investment Managers; Indemnification.** The UUA, as the Fund's manager, and the Investment Managers hired by the UUA to manage the Fund, as fiduciaries, have a responsibility to exercise good faith and fairness in all dealings affecting the Fund. However, the investing UU Congregations will agree in the Subscription Agreement and in the Fund's "operating agreement" (which governs the Fund's affairs) to indemnify and exculpate the UUA, its officers, directors, agents (including Investment Managers) and employees (collectively the "Indemnified Persons") from any liability for losses, damages or expenses resulting from the Indemnified Persons' acts or omissions in connection with the Fund except in the case of willful misfeasance, bad faith, gross negligence or reckless disregard of duties on the part of the Indemnified Persons.

**Extremely limited voting and other rights.** Members of the Fund have extremely limited voting rights. Among other things, they generally have no right to call meetings of Members or to remove the UUA as the Fund's manager (although they do have the right to elect a new manager if the UUA withdraws as

manager and does not elect to liquidate the Fund). The UUA may materially change the manner in which it manages the Fund upon notice to the Members, and a Member's only recourse if it does not approve of such a change will be to withdraw its investment in the Fund.

## **VI. Organization of the Fund**

The Fund is organized as a Massachusetts limited liability company, and the rights and obligations of its Members are governed by its operating agreement (the "Operating Agreement"), a copy of which is attached as Exhibit G. All Members of the Fund are parties to, and bound by, the terms of the Operating Agreement, and prospective investors in the Fund are urged to examine the Operating Agreement and to contact the UUA with any questions concerning the Operating Agreement's provisions. The UUA may materially amend the Operating Agreement and change the manner in which the UUA manages the Fund without the approval of the Fund's other Members, but the UUA must give reasonable notice of any such material change to the other Members, and any Member must be permitted to withdraw from the Fund, before the change takes effect.

## **VII. How to Invest**

### **A. Application**

Investing in the Fund is easy. As noted in item I.A.4. above, a prospective Member of the Fund must execute a Subscription Agreement. Once completed, this form should be forwarded to Mr. Brennan or Ms. Helbert at the address stated below.

The Subscription Agreement contains a "reversion clause" providing that if a congregation ceases to function while it still holds an investment in the Fund, the congregation's remaining assets held in the Fund (after the payment of debts) will become the property of the UUA, its successor or, with the UUA's permission, another UU organization. Dissolving congregations that wish to determine independently the disposition of their investment in the Fund can do so by withdrawing their investment in the Fund.

### **B. Questions**

The Fund and the UUA welcome your questions and comments and look forward to providing the information you need to determine the best possible approach to your organization's investments.

Please contact:

Andrew McGeorge, Treasurer & Chief Financial Officer  
Email: [amcgeorge@uua.org](mailto:amcgeorge@uua.org)  
Phone: (617) 948-4305

Susan Helbert, Assistant to the Treasurer  
Email: [shelbert@uua.org](mailto:shelbert@uua.org)  
Phone: (617) 948-4306

### **Unitarian Universalist Association<sup>17</sup>**

24 Farnsworth Street  
Boston, MA 02210  
(617) 742-2100  
[www.uucef.org](http://www.uucef.org)

## **Endnotes**

<sup>1</sup> The UUCEF was formally established in 1962 as the General Investment Fund and continues to be governed by the Plan Governing Participation in the Association's General Investment Fund (the "Plan"). Please contact the UUA's Endowment Funds Manager if you would like a copy of the Plan.

<sup>2</sup> Please see the Asset Allocation Policy in the IC Guidelines in Exhibit B for a description of the Fund's portfolio allocation.

<sup>3</sup> See Exhibit B for the current Investment Policies and Guidelines and Section II herein in for a complete description of the Funds goals.

<sup>4</sup> See Exhibit D for a complete list of the Investment Managers and consultants.

<sup>5</sup> See Exhibit C for a complete description of the UUA staff involved in the administration of the UUCEF and the Investment Committee.

<sup>6</sup> Please see section III.A for a further description of the UUA's SRI program.

<sup>7</sup> See Exhibit C for a complete list of the current members of the Investment Committee.

<sup>8</sup> Unrestricted funds typically represent donations to the organization that are available for any approved purpose. Restricted funds are donated for, and limited to, a designated purpose or project.

<sup>9</sup> See Exhibit F for the Subscription Agreement. Initial Fund Members contribute their prior GIF interests. New Fund Members are expected to contribute cash. The Fund, however, will consider requests by a prospective New Fund Member to make contributions in the form of an existing security held by that prospective investor; in most cases the UUCEF will accept the security only on the condition that the Investment Manager be permitted to sell the security first, and then credit the investor with the net cash proceeds of sale (after deducting for the amount of the related brokerage and a fee to the Investment Manager).

<sup>10</sup> Please see Exhibit B for the UUA's current Investment Policies and Guidelines.

<sup>11</sup> See Section III.C and the IC Guidelines in Exhibit B for a complete description of the how these guidelines work.

<sup>12</sup> Annually, ISS prepares recommended proxy voting guidelines designed for investors concerned about social performance. These guidelines are reviewed by SRIC and adjusted to reflect UU values and concerns. With these customized voting guidelines ISS votes every proxy in line with the UUA's wishes. ISS sends reports on actual votes at least quarterly, and SRIC reviews them for adherence to UUA guidelines. For more information on ISS, visit [www.issproxy.com](http://www.issproxy.com).

<sup>13</sup> For the most recent versions of this document please contact the Assistant to the Treasurer or visit our website at [www.uucef.org](http://www.uucef.org).

<sup>14</sup> See the IC Guidelines in Exhibit B for a complete description of the UUA's Investment Manager guidelines and Exhibit D for the current investment managers.

<sup>15</sup> See the IC Guidelines in Exhibit B.

<sup>16</sup> Monthly updates of Fund performance are available on the UUCEF website at [www.uucef.org](http://www.uucef.org) or by request.

<sup>17</sup> A non-profit corporation organized under the laws of The Commonwealth of Massachusetts.

### **Exhibit A: Fees and Other Expenses**

The following is a summary of the fees and expenses that will be borne by the UUCEF and investors as a result of their ownership in the Fund.

**Investment Manager Fees.** The UUCEF has independent agreements with each of its Investment Managers specifying management fees that currently range from 0.1% to 2.0% of assets under management.<sup>1</sup> The Investment Managers' fees are subject to change. In the aggregate, the Investment Managers' fees for fiscal year 2021 amounted to approximately 0.62% of Fund assets.

**Custodial Fees.** Investment Managers that are registered investment advisers are prohibited by law from taking custody of the assets of the Fund. Therefore, the UUCEF's assets are held by third party custodians. In addition to custodial fees, the Fund pays a service provider a sub-accounting fee to generate statements for investors through online, secure interface. The Fund currently utilizes US Bank in Delaware as its principal custodian and HWA International, Inc. for trust accounting software. The custodian is subject to change. The Investment Committee may, on its own discretion, change the custodian or cease to utilize a custodian. If the Fund invests in investment funds, the assets of the investment are held by the fund's custodian.

**Proxy Voting Fees.** As discussed in section III.A.1 of the Investment Information Memorandum, the Fund currently uses Institutional Shareholder Services (ISS) to conduct research on proxy matters, make recommendation to the UUCEF, and the conduct proxy voting on behalf of the UUCEF.

**Investment Advisory Fee.** The UUCEF currently uses NEPC to advise the Investment Committee on strategy, asset allocation, manager selection, and performance assessment.

**Administrative Fees and Expenses.** To cover costs of administering the UUCEF, the UUA charges an administrative fee of 0.20% of the asset balance of the UUCEF. This administrative fee is designed to cover the expenses incurred by the UUA in its administration of the UUCEF, including but not limited to part (and in certain circumstances all) of a) the salaries of the Treasurer, the Senior Endowment Accountant and their support personnel; and b) general and administrative costs such as telephone, information technology services, supplies, website design and maintenance, and occupancy costs.

**Other Expenses.** The UUCEF bears expenses incurred by the UUA related to its administration of the UUCEF, including government and fiscal charges, foreign exchange costs and bank charges, as well as insurance and security costs, expenses related to the issue and withdrawal of units and consulting<sup>2</sup>, audit<sup>3</sup>, accounting and administrative fees and expenses and certain other expenses incurred in the administration of the UUCEF and in the acquisition, holding and disposal of units issued by the UUCEF. The Treasurer and the Investment Committee determine whether particular costs should be fairly allocated to the UUCEF. The UUCEF also bears all meeting, travel and hotel expenses properly incurred by the Treasurer, Endowment Funds Senior Accountant and Investment Committee in relation to the UUCEF, including attending Investment Committee meetings, which occur approximately four times a year. It is estimated that the total fees and expenses payable or reimbursed to the Investment Committee in the year ending June 30, 2021 are estimated to be \$10,000 and that such amount may increase in future years in accordance with the market rates in fees and expenses payable associated with travel to these Investment Committee meetings. The UUCEF is also responsible for the costs of preparing, printing and distributing all valuations, statements, amendments to this UUCEF Investment Information Memorandum, accounts and reports together with any other costs associated with the dissemination of information to investors.

<sup>1</sup> See Exhibit D for a complete list of the investment managers and their respective fees.

<sup>2</sup> Please see Exhibit D for a complete list of consultants.

<sup>3</sup> The Fund is audited annually by Mayer, Hoffman, McCann – Tofias New England Division.



<b>Expenses for FY 2022</b>	<b>Percentage of the Total Net Asset Value of the UUCEF</b>	
Investment Managers' Fees		0.60%
UUA Administrative Fee		0.20%
Custodian Fees	0.01%	
Investment Advisory	0.10%	
Audit	0.02%	
Consulting, Legal and Other	0.04%	
Subtotal Other Expense		0.17%
<b>Total</b>		<b>0.97%</b>

**Offering Expenses.** The offering expenses associated with this UUCEF Investment Information Memorandum and associated services, as well as expenses incurred in connection with the reorganization of the UUCEF as the Fund and amending this Investment Information Memorandum and associated matters, have been and will be paid by the UUCEF. These costs will flow through to the Members, including the UUA, in proportion to their holdings of Fund units.

## **Exhibit B: UUCEF Policies and Guidelines**

### **PROVISIONS CONCERNING AUTHORITY FOR INVESTMENT DECISIONS OF THE UUCEF LLC**

#### **From the UUA Bylaws**

Section C-10.7. Responsibility for Funds Held by the Association.

- a. Board of Trustees. The Board of Trustees shall have ultimate responsibility for investing the funds held by the Association.
- b. President. The President shall invest the endowment funds held by the Association in the Unitarian Universalist Common Endowment Fund LLC.
- c. Investment Committee. The Investment Committee shall manage the endowment funds held by the Association, subject to control by the Board of Trustees.

#### **From the UUA Governance Policy Manual**

##### **Section 3.8.4. Investment Committee of the Unitarian Universalist Common Endowment Fund, LLC (UUCEF LLC)**

- (a) The Bylaws of the UUCEF LLC specify the qualifications of members of the UUCEF Investment Committee, and further describe the specific responsibilities of the committee.
- (b) The Board of Trustees appoints the members of the UUCEF Investment Committee and has other powers over the UUCEF LLC, as described in the Certificate of Organization, the Operating Agreement, and the Bylaws of the UUCEF LLC.

##### **Section 3.8.5 Socially Responsible Investment Committee**

- (a) Mission and Responsibilities

The committee's mission is to uphold the UUA's commitment to invest its endowment funds in alignment with UU values. The committee's specific responsibilities are as follows:

- (i) To advise the UUCEF Investment Committee on investment policy issues, with particular regard to stock screening and manager selection
- (ii) To assist the UUA staff with community investment, shareholder advocacy, and educating UU congregations on socially responsible investment
- (iii) To advise the UUA Board on needed changes in the UUCEF's governing documents, and to report to the UUA Board on the UUCEF's success in meeting its socially responsible investment objectives
- (iv) To carry out any other responsibilities stated in the UUCEF bylaws.

#### **From the Bylaws of the UUCEF LLC**

##### **Mission and Investment Objective**

The mission of the UUCEF is to provide investors with competitive, long term investment results which are earned in a manner compatible with the values of Unitarian Universalism.

##### **Responsibilities of the Investment Committee**

The Investment Committee shall, subject to the requirements of these bylaws and of the Operating Agreement, adopt all policies necessary for the operations of the UUCEF. The Committee shall review and approve the Investment Information Memorandum and other materials used in connection with the UUCEF.

##### **Incorporation of UU Values**

The UUCEF shall be managed in a manner consistent with UU values as well as the achievement of return and risk objectives. The Investment Committee is responsible for balancing these occasionally competing objectives in the best interests of the UUCEF. The UUA is committed to an investment program which utilizes tools of socially responsible investment (SRI) to optimize

the alignment of its financial assets with its values. As practical, every search for professional investment managers shall include at least one firm with expertise in SRI in the asset class under review.

Unitarian Universalist values that shall inform investment decisions have been expressed in General Assembly resolutions and Statements of Immediate Witness, Board resolutions, and the UUA's Principles and Purposes.

The Investment Committee and the UUA Board's Socially Responsible Investment Committee shall develop an ongoing process to assess the effectiveness of the UUA's SRI policies and practices. The committees shall also assist staff in developing coalitions (among Unitarian Universalist and other like-minded organizations, both faith-based and secular) to achieve SRI goals, and to expand services to member congregations and individual UUs regarding SRI practices that embody UU values.

## **INVESTMENT COMMITTEE GUIDELINES**

### **I. RESPONSIBILITY FOR THE MANAGEMENT OF INVESTMENTS**

#### **A. The Investment Committee:**

The Unitarian Universalist Investment Committee ("Investment Committee") has responsibility for the following with respect to the Unitarian Universalist Association's Provisions Concerning Authority for Investment Decisions of the UUCEF LLC ("Investment Policy").

1. In order to have a reasonable probability of achieving the Target Return Objective (defined below) at an acceptable risk level, the Investment Committee sets target weightings for each asset class within the portfolio as well as ranges of expected exposure. These are detailed in the Asset Allocation Policy below. The Investment Committee adjusts these targets from time to time based on changing market conditions and opportunities. The Treasurer will review the actual asset allocation on a quarterly basis and rebalance as close as is practical to the target allocations.
2. The Investment Committee regularly assesses the performance of the Unitarian Universalist Common Endowment Fund (the "UUCEF" or the "Fund") by comparing results to several benchmarks.

**The "Policy Index"** is the composite return of the portfolio with the appropriate index return for each asset class (e.g. the S&P 500 for large cap US equities) weighted according to the target allocation of assets within the portfolio. The Policy Index is calculated by multiplying the target commitment to each asset class (stocks, bonds, etc.) by the rate of return of the appropriate market index (S&P for stocks, Barclay's Aggregate for bonds, etc.). The resultant average represents investment return that the overall investment program would have earned if the Fund structure were identical to the policy targets and the component returns identical to market index levels.

**The "Allocation Index"** is the composite return of the portfolio with the appropriate index return for each asset class weighted according to the actual allocation of assets within the portfolio. The actual composite return compared to the Allocation Index shows the value added (or deducted) by the active management of the Fund's investment managers (the UUCEF uses money management firms to govern the assets in the Fund, each with its own specialty, which are referred to herein as "Investment Manager(s)").

**The Target Return Objective** (defined below) is 5% plus inflation. This is the long-term goal sought by the Investment Committee for the Fund.

## **B. Investment Managers:**

The Investment Managers will be responsible for managing the funds allocated to them and for selecting investment strategy and to the extent that the UUCEF assets are managed directly for the account of the UUCEF, implementing security selection within limitations of these Investment Committee Guidelines (“IC Guidelines”) and the Investment Policy and, with respect and to the extent that the assets are directly managed on behalf of the UUA and in certain selected investment vehicles, the Socially Responsible Investing Guidelines (“SRI Guidelines”) or other applicable socially responsible investing criteria (together the Investment Policy, IC Guidelines and the SRI Guidelines being the “Policies and Guidelines”).

## **C. Investment Consultant:**

1. The Investment Consultant shall assist the Committee in developing and modifying policy objectives and guidelines, including the development of asset allocation strategies, recommendations on long-term asset allocation, and the appropriate mix of investment manager styles and strategies.
2. The consultant shall also provide assistance in manager searches and selection and in investment performance calculation, evaluation, and analysis.
3. The consultant shall provide timely information, written and/or oral, on investment strategies, instruments, managers and other related issues, as requested by the Committee.

## **D. Custodian:**

1. Protecting and safeguarding the assets maintained under its control.
2. Managing all “idle” cash that is not invested by investment managers.
3. Making payments from the Plan to such participants or beneficiaries as directed and as permitted by the Plan documents, including qualified expenses.
4. Providing a written account of all investments and all receipts, disbursements, income, expenses and other transactions of the Plan at month end.
5. Unless otherwise directed, filing and collecting on securities class action suits for applicable separate accounts.

# **II. INVESTMENT OBJECTIVES AND PORTFOLIO COMPOSITION**

## **A. Investment Objectives**

The Fund’s Target Return Objective is a real return of 5%, which is a return of 5% after management expenses net of investment management fees and adjusting for inflation (“Target Return Objective”). In order to have a reasonable expectation of meeting the Fund’s goals and objectives, the Investment Committee has adopted the Asset Allocation Policy below.

Total portfolio risk exposure and risk-adjusted returns will be regularly evaluated and compared with a universe of similar funds for the Fund and each Investment Manager.

Investment Managers shall be measured against the designated benchmark index noted below.

Asset Class	Benchmark
Domestic Equity Composite	Russell 3000
Domestic Large Cap Growth	Russell 1000 Growth
Domestic Large Cap Value	Russell 1000 Value
Domestic SMID Cap Equity	Russell 2500 Value
Domestic Small Cap Equity	Russell 2000 Growth
International Equity Composite	MSCI ACWI ex US
Developed Int’l Equity Core	MSCI EAFE
Developed Int’l Equity Growth	MSCI ACWI ex US
Emerging Market Equity	MSCI EM

Asset Class	Benchmark
Fixed income Composite	BBgBarc US Aggregate TR
Global Multi Sector	FTSE WGBI TR
Global Multi Sector	BBgBarc US Gov/Credit TR
Opportunistic	BBgBarc Multiverse
Domestic Fixed Income	BBgBarc US Gov/Credit Int. TR
Domestic Fixed Income Growth	BBgBarc Treasury Long Term TR
Opportunistic Investments	CPI +5 (Unadjusted)
Global Asset Allocation Fund	65% MSCI ACWI 35% BBgBarc Aggregate
Hedge Funds	HFRX Event Driven Index/MSCI EAFE
Private Markets	Private Markets Custom Benchmark
Private Markets	JP Morgan Corporate EMBI Broad TR US
Cash	90-day Treasury Bills

The Investment Committee is aware that there may be deviations from the performance targets. Normally, results are evaluated over a three to five-year time horizon, but shorter-term results will be regularly reviewed, and earlier action taken if in the best interest of the Fund.

### **B. Portfolio Composition**

1. Equity and fixed income specialist Investment Managers shall normally be fully invested, subject to the guidelines contained in sections III and IV herein. Overall Fund structure shall be targeted to the Asset Allocation Policy below but may vary on a short-term basis within prescribed limits.

2. Equity investments, i.e., common stocks, convertibles, warrants and rights are permitted, subject to the Asset Allocation Policy. American Depositary Receipts ("ADRs"), which are dollar denominated foreign securities traded over the counter or on the domestic U.S. stock exchanges, may be held by each Investment Manager in proportions, which each Investment Manager may deem appropriate.

3. Illiquid investments are to be given special and very careful consideration under special circumstances. There might be times when a lockup period is wise, both for reduced fees and for managers who rightfully wish to break free from quarterly pressures. Liquidity is defined as the ability to convert the investment to cash within 90 days without causing a distress sale.

## **III. INVESTMENT MANAGERS**

The investments may be placed with one or several Investment Managers with different investment strategies who will manage a portfolio composed of a particular asset class within the Fund. Varying styles and strategies are intended to reduce the risk implicit in having one Investment Manager, or all Investment Managers with the same approach. Investment objectives apply to a longer term, (i.e. three-to five-year) strategy. The Investment Committee will routinely review the distribution of the percentage of the portfolio's assets among Investment Managers.

### **A. Guidelines for Transactions and Fees**

1. The Investment Committee has the responsibility to ensure that all fees and expenses applied against investment income are appropriate and commensurate with the services rendered. Investment Managers are expected to enter transactions on the basis of best execution, which is interpreted normally to mean best-realized price. Notwithstanding the above, commissions may be paid for services to the portfolio in connection with investment management (i.e. the Fund may permit Investment Managers to utilize brokerage practices that generate "soft dollars"). Separately, arrangements to direct commissions will only be implemented by specific authorization of the Investment Committee.

2. All participants in the UUCEF will share in the common investment expenses, pro-rata, based on their asset size and according to their unitized value.

#### **IV. GUIDELINES FOR INVESTMENTS**

##### **A. Fixed Income Investments**

1. Decisions as to individual security selection, security size and quality, number of industries and holdings, current income levels, turnover and other strategies employed by active Investment Managers are left to broad Investment Manager discretion, subject to the usual standards of fiduciary prudence and the Policies and Guidelines.
2. Money market instruments, cash equivalents, bonds and derivative investments may be used. Fix income Investment Managers are expected to employ active management techniques. Interest Rate futures and options as well as derivatives, currency forwards, futures and options may be used as specified in a portfolio's investment guidelines and as detailed in section IV.C. below.
3. The minimum quality rating of any fixed income issue held in an investment grade portfolio shall at time of purchase be BBB-as rated by Standard and Poor's, or an equivalent rating agency, and the overall weighted average quality shall be A or higher. The overall quality of the high yield fixed income portfolio shall be B or better. The ratings in this paragraph are for guidance only and would not apply to a manager pursuing a distressed debt strategy. The Investment Managers are responsible for making an independent analysis of the credit worthiness of securities and their suitability as investments within the context of their strategy regardless of the classifications provided by rating agencies.
4. The average duration (interest rate sensitivity) of an actively managed fixed income portfolio should not exceed seven years except in unusual circumstances as determined by the Investment Committee.
5. Inasmuch as non-taxable investments are not suitable for religious not-for-profit institutions, issues of state or municipal agencies will not be purchased except when the risk/return characteristics are attractive versus taxable investments.
6. In general, investments will be well diversified with respect to type of industry and issuer in order to minimize risk exposure. No individual portfolio shall hold more than 8%, at market value, of its assets in the securities of any single entity, excepting issues of the U.S. Government or its agencies, or in the case of international bonds, the issues of sovereign nations or their agencies.
7. There will be no concentration of corporate bonds in any one industry exceeding 20% of the fixed income portion of the portfolio.

##### **B. Equity Investments**

1. Decisions as to individual security selection, security size and quality, number of industries and holdings, current income levels, turnover and other strategies employed by active Investment Managers are left to broad Investment Manager discretion, subject to the usual standards of fiduciary prudence and the Policies and Guidelines.
2. Equity investments are limited to equities listed on the NYSE, AMEX or Nasdaq National Market and foreign exchanges selected by or in consultation with Investment Managers. Derivative investments shall not be made except as detailed in item IV.C.3 below.

3. No individual portfolio shall hold more than 8%, at market value, of its assets in the securities of any single entity. Portfolio turnover will be reviewed regularly by the Investment Committee.

### **C. Global Asset Allocation Investments**

1. The intent of these strategies is to give managers the ability to invest across traditional and non-traditional asset classes in order to further diversify the Plan, control risk, and add return.

2. The managers will accomplish this by investing in asset classes that the managers perceive to be undervalued.

3. The majority of the assets will be invested in global equity and fixed income mandates that shall comply with the above listed guidelines for those asset classes.

4. From time to time, these strategies may make additional diversifying investments in other asset classes or securities such as commodities, currencies, real estate, hedge funds, etc. Derivatives and leverage, within a commingled fund structure, will be permitted for certain managers upon permission from the Investment Committee.

5. Derivatives are not to be used for unrelated speculative hedging.

### **D. Hedge Fund Investments**

1. Hedge Funds are permitted where the primary objective of these strategies is to provide positive absolute return throughout a market cycle (cash return + incremental spread of between 3 and 5%), as well as provide increased diversification to the portfolio.

2. These funds shall seek to minimize risk exposures to the overall stock market as well as individual sectors (technology, energy, etc.) and investment styles (growth, value, large cap, small cap, etc). The portfolio should remain well diversified.

3. The use of derivatives for equitizing cash balances is permitted upon completion of any necessary disclosure or other documentation. Derivatives shall not be used for leverage or unrelated speculative hedging.

4. A “fund-of-funds” approach may be used to further diversify the investment across a variety of hedge fund managers and styles. Each investment should fall within the expected risk and return characteristics historically displayed by domestic fixed income and public domestic equity investments.

5. Leverage may be employed by managers within a specific fund of hedge funds, but not by the Fund of Hedge Funds Manager

### **E. Other Opportunistic Asset Classes, Strategies, and Investment Managers**

1. From time to time, the Committee may make additional opportunistic investments in other asset classes or securities such as real estate, private equity, etc. The Committee shall approve any such investment prior to implementation and shall restrict these investments to specific managers.

2. Currently, the following diversifying “other investments” have been allowed: None

## **F. General Comments on Investment Manager Guidelines**

1. The UUA, through the Socially Responsible Investment Committee ("SRIC") and the Investment Committee will direct the voting of all proxy statements with respect to securities held directly in the UUCEF's portfolio. However, the Investment Managers may be asked to vote under unusual circumstances.

2. Prohibited Assets and/or Transactions: The Investment Managers shall have powers of investment discretion within the Policies and Guidelines with respect to securities held directly in the UUCEF's portfolio. However, the following assets and/or transactions are prohibited with respect to securities held directly in the UUCEF's portfolio and these may not be changed without prior written approval of the Investment Committee. Although these Policies and Guidelines do not apply directly to pooled investment vehicles in which the UUCEF is an investor, the Investment Committee takes into account the extent to which such pooled vehicles adhere to similar standards in selecting them for investment by the UUCEF.

a. Restricted securities, restricted stock and private placements (with the exception of 144A securities).

b. Selling uncovered calls or puts.

c. Conditional sales contracts.

d. Warrants (unless acquired when attached to purchased common stock or bonds).

e. Lease-backs

f. Securities of the custodian or Investment Manager, its parent or subsidiaries.

g. Unless specifically approved by the Investment Committee, the Investment Managers shall not buy securities on margin, engage in the short sale of securities, or maintain a short position.

h. The Investment Managers shall not engage in any transaction where the Investment Managers or its affiliates act as principal.

i. The Investment Managers shall not trade in securities that are being bought or sold or considered for purchase or sale by the UUCEF to the detriment of the UUCEF. The Investment Managers shall not deal with the assets of the portfolio in its own interest or for its own account.

j. The Investment Managers shall not act in any capacity in any transaction involving the portfolio on behalf of a party (or represent a party) whose interests are adverse to the interests of the portfolio or the interests of the UUA.

k. The Investment Managers shall not receive any compensation for their own account from any third party dealing with the portfolio in connection with a transaction involving assets of the portfolio.

l. All investments must be consistent with the prudent investor rule as described in the most current Prudent Investor Act under the laws of Massachusetts.



3. Derivative Securities. Where appropriate, Investment Managers for directly managed accounts may be given permission to use derivative securities for the following reasons. Similar terms are applied in the selection of pooled investment vehicles in which the UUCEF invests.

a. Hedging. To the extent that the portfolio is exposed to clearly defined risks and there are derivative contracts that can be used to reduce those risks, the Investment Managers are permitted to use such derivatives for hedging purposes, including cross-hedging of currency exposures.

b. Creation of Market Exposures. Investment Managers are permitted to use derivatives to replicate the risk/return profile of an asset or asset class provided that the guidelines for the Investment Manager allow for such exposures to be created with the underlying assets themselves.

c. Management of Country and Asset Allocation Exposure. Investment Managers charged with tactically changing the exposure of their portfolio to different countries and/or asset classes are permitted to use derivative contracts for these purposes.

d. Futures and options can be used to initiate positions.

e. Options, warrants or conversion features embedded in publicly traded securities.

f. By way of amplification, it is noted that the following two uses of derivatives are prohibited:

i. Derivatives shall not be used to magnify overall portfolio exposure to an asset, asset class, interest rate, or any other financial variable beyond that which would be allowed by a portfolio's investment guidelines.

ii. Unrelated Speculation. Derivatives shall not be used to create exposures to securities, currencies, indices or any other financial variable unless such

### **Commingled Funds**

The Committee, in recognition of the benefits of commingled funds as investment vehicles (i.e., the ability to diversify more extensively than in a small, direct investment account and the lower costs which can be associated with these funds) may, from time to time, allow investment in such funds. The Committee recognizes that it cannot give specific policy directives to a fund whose policies are already established; therefore, the Committee is relying on the investment consultant to assess and monitor the investment policies of any funds used by the Plan to ascertain whether they are appropriate for this Plan.

### **Hiring Investment Managers**

When the Committee selects investment managers to manage assets of the Endowment, factors to be considered shall include, but not be limited to, the stability of the investment organization, staff and client base, consistency of the investment process, style and philosophy, competitiveness of risk and return versus indices and peers, and reasonableness of fees.

### Terminating Investment Managers

The Committee can terminate investment managers based on significant changes to the organization, staff and client base, significant changes to the investment process, style and philosophy, performance over the long term versus benchmarks, significant non-compliance with investment guidelines, or other factors deemed appropriate by the Committee.

### Conflict of Interest Policy

Any conflicts of interest of the Investment Managers, members of the Committee or any other persons providing services to the Plans must be reported in writing to the Committee immediately upon any person becoming aware that a conflict exists or may exist. Conflicts of interests shall include any association or material interest or involvement in aspects related to that person's role with regard to the Plans that would result in potential of actual harm to the interests of the Plans.

### Asset Allocation Policy

The Fund shall be diversified across investment classes and among Investment Managers in order to achieve an optimal balance between risk and return. The purpose of diversification is to minimize unsystematic risk and to provide reasonable assurance that no single Investment Manager, security or class of securities will have a disproportionate impact on the total Fund. It is understood that a single Investment Manager may have discretion to invest across a range of asset classes. The Investment Committee will select a team of Investment Managers to minimize the risk that multiple Investment Managers will become concentrated in any particular asset class.

### ASSET ALLOCATION TARGETS

<b>Asset Class</b>	<b>Current Target Commitment %</b>	<b>Long-term Target Commitment %</b>
<b>Equities</b>	<b>67%</b>	<b>67%</b>
Domestic – Large Cap	27%	27%
Domestic – Small/Mid Cap	6%	6%
International Developed	14%	14%
Emerging Markets	8%	8%
Global Equity	12%	12%
<b>Fixed Income</b>	<b>23%</b>	<b>17%</b>
High Quality	13%	10%
Flexible	10%	7%
<b>Private Markets</b>	<b>6%</b>	<b>10%</b>
<b>Community Investments</b>	<b>3%</b>	<b>5%</b>
<b>Cash</b>	<b>1%</b>	<b>1%</b>

## **SOCIALLY RESPONSIBLE INVESTMENT GUIDELINES**

### **I. Introduction**

The Investment Committee (IC), advised by the Socially Responsible Investing Committee (SRIC), shall manage the UUCEF in a manner consistent both with Unitarian Universalist values and the Fund's return and risk objectives.

This work continues in unbroken line the vision of those Unitarians and Universalists who have sought financial expression of justice. As articulated by the 1999 UUA Task Force on Socially Responsible Investing, "Socially Responsible Investing allows the UUA to harness the power of its financial resources to live out and express UU values."

This policy addresses investment criteria on environmental, social and governance issues. In implementing this policy, we are cognizant of the intersectionality of all of these issues, and we are guided by the UUA commitment to advancing racial justice, supporting multi-culturalism and dismantling white supremacy culture, which is a system of wealth, power and privilege that advantages white people and keeps people of color on the margins. As the 2017 Statement of Conscience put it: "The escalation of income and wealth inequity undergirds many injustices that our faith movement is committed to addressing, including: economic injustice, mass incarceration, migrant injustice, climate change, sexual and gender injustice, and attacks on voting rights."

The securities held in the UUCEF fall into two categories, and the incorporation of UU values is handled differently for each.

- (a) Separate accounts, which hold individual securities. These securities are managed by specialized investment managers, but the UUCEF can direct those managers to eliminate specific companies or industries from the portfolios.
- (b) Co-mingled funds, including private co-mingled funds, mutual funds, ETFs and similarly structured vehicles. With these assets, the UUCEF has no direct influence over the securities included in the portfolios. In these cases, the UUCEF brings UU values to bear in the selection of the managers.

When applying the SRI Guidelines, the Investment Committee Guidelines ("IC Guidelines") and the UUA Investment Policy ("Investment Policy") and the Guidelines and Policy on the UUCEF Community Investing ("Community Investing") and other applicable socially responsible investing criteria (together "Policies and Guidelines"), the Investment Committee ("IC") and the SRIC shall collaborate to optimize the investments of the Unitarian Universalist Common Endowment Fund (the "UUCEF" or the "Fund"), within the context of these guidelines and the investment and impact opportunities available in the markets.

### **II. Security Selection in Separate Accounts**

Investments of the UUCEF funds in specific companies are to be avoided or preferred according to their implementation of environmental, social and governance ("ESG") policies, practices, performance and disclosure. The SRIC, Investment Committee and UUA Treasurer shall work collaboratively with investment consultants to develop an applicable framework. Both committees shall then determine thresholds of investment (these may be by industry sector, investment vehicle, and/or other appropriate categories). Small holdings of such companies may be maintained in the Advocacy Portfolio for the purpose of shareholder advocacy.

#### **A. Environment and climate change**

Investments are preferred in companies that (1) produce products or services that reduce waste

generation or conserve natural resources; (2) reduce the use of energy, water, fertilizer, pesticides, and hormones in food production; (3) show significant progress in reducing volume and toxicity of waste, emissions and effluents; (4) have innovative programs to reduce use of energy, water, materials and land; (5) have consistently good compliance records; (6) have strong environmental management systems including clear environment policies and audits; (7) are committed to standardized environmental reporting (e.g., Global Reporting Initiative, CDP, UN Guiding Principles on Human Rights), (7) are proactively addressing global climate change by aligning their long-term strategy with the goals of the Paris Climate Agreement including a just transition; and (8) publicly support policy solutions to climate change and other environmental threats.

The UUCEF seeks to avoid investing in companies that (1) show a pattern of serious violations of environmental regulations; (2) show a below-average record of environmental performance and/or are responsible for significant environmental damage; (3) are in industry sectors with high adverse impact on the environment and have no mitigation strategy; (4) have been negligent in handling significant environmental problems; (5) are significantly involved in practices with negative global impacts such as rainforest destruction and ozone depletion; (6) contribute in significant ways to climate change, and/or (7) oppose directly and/or through third-party affiliates policies addressing climate change and other environmental problems.

Consistent with the 2014 Business Resolution adopted by the General Assembly, the UUCEF will not make new investments in companies listed on the Carbon Underground 200 (formerly the Carbon Tracker 200) list. However, the UUCEF may purchase minimal shares of these companies for the Advocacy Portfolio in order to enable the introduction of shareholder resolutions and other forms of engagement.

## **B. Social**

The UUCEF favors investment in companies with explicit human rights principles, encompassing the rights of indigenous peoples and immigrants and addressing racial justice. We seek to invest in companies that fulfill the responsibility to respect human rights as articulated in the UN Guiding Principles on Business and Human Rights. Furthermore, we will favor companies with fair labor standards including freedom of association that guide their domestic and global operations in both owned facilities and their supply chains. Also favored are companies with (1) safe, useful high-quality products or services that enhance the quality of life; (2) responsible pricing and marketing practices; (3) high performance in addressing product safety; (4) strong policies and programs in recruiting and development for historically marginalized people; (5) innovative labor policies demonstrating commitment to quality of life (paid time off for volunteering, sabbaticals, employee recognition, company sponsored volunteer programs, flex-time, part-time benefits, job sharing, telecommuting and dependent care); (6) inclusive nondiscrimination policies (e.g., race, national origin and religion, sexual orientation, gender identity and expression, same sex partner benefits, positive union relations or employee participation) and adherence to those policies; (7) strong emergency and on-going safety programs and performance (8) strong records of investing in local communities (e.g., as exemplified by outstanding Community Reinvestment Act ratings); and (9) business ethics standards that are clear, widely disseminated, and enforced.

The UUCEF seeks to avoid investing in companies with direct violations of the most basic human rights to survival and integrity (e.g. the use of forced labor, child labor, sweatshops and other violations of International Labor Organization standards). UUCEF investments will also avoid companies that (1) negatively impact indigenous peoples, immigrants and local communities (2) fail to obtain free, prior and informed consent for projects affecting communities; (3) fail to invest adequately in local communities; (4) engage in predatory lending or redlining; (5) manufacture or sell products with adverse public health consequences; (6) conduct misleading or irresponsible marketing of products or services; (7) demonstrate patterns of violating equal employment opportunity ("EEO") or Occupational

Safety and Health Administration (“OSHA”) rules or comparable recognized international standards; and/or (8) demonstrate labor relations problems.

### **C. Governance**

Preference is given to companies with good performance in matters of ethical corporate governance principles: (1) accountability (independent monitoring and reporting on ESG performance); (2) democratic practices including equal voting rights for all shareholders; (3) transparency (regular audits e.g., full disclosure of charitable giving and full disclosure of election and lobbying policies, practices, oversight and amounts contributed, including through third parties); (4) embeddedness, i.e., ethical behavior is normative in corporate culture (e.g., above average representation of historically marginalized peoples on boards of directors and in senior management and pipeline positions, performance-based executive compensation that considers a company’s impact on all stakeholders, and policies that hold perpetrators of sexual violence accountable); and (5) responsibility (e.g., community investment, generous corporate philanthropy, positive engagement with shareholders and other stakeholders).

The UUCEF seeks to avoid investments in companies which have demonstrated disregard for these corporate governance standards.

### **D. Prohibited securities**

There are two categories of investments historically prohibited by the UUA: tobacco and weapons, specifically: (1) those companies which engage in the manufacture of tobacco-based products, with a UUA investment tolerance level of zero; and (2) those that produce or sell handguns and/or are major manufacturers of weapons (among the top 50 based on revenues in the US or worldwide) or those companies where weapons represent over 5% of revenue.

A company may be excluded if it provides significant financing or other financial services to, derives a material percentage of its revenues from, or sources a material percentage of its raw materials from a country or area, i) demonstrating a prolonged and systematic pattern of human rights violations or ii) where significant human rights violations have been widely documented.

The threshold of a company’s involvement in activities that preclude investment by the UUCEF will be determined through collaboration between SRIC and the Investment Committee. Holdings of such companies may be maintained in the Advocacy Portfolio for the purpose of shareholder advocacy.

These prohibitions are reviewed as appropriate, at a minimum once a year, by the SRIC which will discuss them with the Investment Committee and jointly report them to the UUA Board of Trustees.

### **E. Implementation**

The IC/SRIC may utilize various systems or service providers to assist in the implementation of these guidelines. Emphasis should be given to a broad scope of data and research, including performance over time and approaches to transparency and remediation. Given comparable alternatives, implementation should favor investments that address ESG issues openly and in way that demonstrates respect and concern, particularly those evidencing best practices within sectors or market segments with significant environmental and social impacts.

### **F. Shareholder advocacy and corporate engagement**

The UUCEF also seeks to promote UU values, including environmental stewardship and social justice, through engagement with the management teams of companies whose securities it

holds. The UUCEF may engage companies independently or in collaboration with other faith-based and socially responsible investors. The specific methods used to engage companies may include letter-writing, direct dialogue, and the filing or co-filing of shareholder resolutions on environmental, social, or governance topics. If necessary, to support advocacy efforts, we may maintain holdings in companies that would not otherwise meet our standards for directly-managed investments.

### **III. Selection of Co-mingled Fund Managers**

In order to gain exposure to asset classes and regions of the world needed for adequate diversification of our endowment, we often invest in pooled investment vehicles. Recognizing that co-mingled funds, such as mutual funds, ETFs, hedge funds, real estate and private funds, do not allow investors to customize the securities held in the portfolio, the UUCEF will bring UU values to bear in the manager selection process. As practical, every search for professional investment managers shall include at least one firm with expertise in SRI/ESG in the asset class under review. When a fund manager is under consideration, the UUCEF will consider the following factors:

- The ethical standards and culture of the firm
- How and to what extent the firm incorporates ESG into its investment process
- Whether the firm is a signatory to the PRI, and if so, whether the firm makes its annual PRI report available publicly
- The firm's policies and performance on diversity and inclusion
- The firm's proxy voting policies, and specifically, whether it would likely support resolutions proposed by the UUCEF
- Whether the firm engages with its portfolio companies on ESG issues

# Unitarian Universalist Common Endowment Fund, LLC

Asset Class Allocation	Investment Manager	Screening Information
<b>Domestic Equities 33%</b>		
Large Cap Value	Rhumblin Advisors	Fully screened, custom UU positive and negative screen
Large Cap Growth	Sands Capital Mgmt.	Custom UU negative screen that eliminates poor ESG performers, PRI Signatory
Mid/Large Cap Growth	Ownership Capital	Environmental, Social and, Governance (ESG) manager
Small Cap Growth	WCM Investment Mgmt.	Environmental, Social and, Governance (ESG) manager, PRI Signatory
SMID Cap Value	Wellington	Environmental, Social and, Governance (ESG) manager, PRI Signatory
<b>International/Emerging Market Equities 22%</b>		
International Equity	Boston Common	Fully screened using UUA SRI Guidelines; Shareholder Advocacy, PRI Signatory
International Equity	MFS	Environmental, Social and, Governance (ESG) manager, PRI Signatory
SMID Cap International Equity	Baxter Street	None
Emerging Market Equity	Acadian	Environmental, Social and, Governance (ESG) manager, PRI Signatory
Emerging Market Equity	RBC	Environmental, Social and, Governance (ESG) manager, PRI Signatory
<b>Global Equities 10%</b>		
Global Equity	GQG Partners	Environmental, Social and, Governance (ESG) manager, PRI Signatory
Global Equity	Lindsell Train	Environmental, Social and, Governance (ESG) focus in engagement, PRI Signatory
<b>Fixed Income 26%</b>		
Multi Sector Fixed Income	Loomis Sayles Multisector	Not screened, PRI Signatory
Sustainable Fixed Income	Breckinridge	Custom UU positive and negative screen, PRI Signatory
Long Treasury	Breckinridge	Custom UU positive and negative screen, PRI Signatory
Short Duration Fixed Income	Stone Castle	Social Impact
Global Multi Sector	Brandywine	Environmental, Social and, Governance (ESG) manager, PRI Signatory
Opportunistic Fixed Income	Franklin Templeton	Environmental, Social and, Governance (ESG) manager, PRI Signatory
<b>Opportunistic/Private Market 5%</b>		
Private Market Fund of Funds	FEG Private Opportunities	None
Private Real Estate	Brockton Capital Fund III	Climate Solutions Strategy
Private Debt	Canvas Distressed Credit Fund LP	None
Private Growth	Generation	Climate Solutions Strategy
Private Debt	HCAP Partners IV LP	Social Impact
Private Credit	OCP Orchard Landmark	None
Private Markets	RRG	Social Impact
Private Equity	SJF Ventures, IV	Social Impact
<b>Community Investments 3%</b>		
Community Investments	CDFI's, Microfinance	Social Impact Community Investments
<b>Cash 1%</b>		

## **Exhibit C: Staff and Committee Biographies**

### **The UUA Team**

The performance of the UUCEF is the result of collaborative efforts among qualified staff at UUA offices in Boston, Unitarian Universalist volunteers with extensive investment experience who contribute their time and knowledge to relevant committees, and carefully selected outside investment management, consulting, and service firms.

### **UUA Staff**

The Treasurer and the Treasurer's staff implement the Policies and Guidelines. This includes maintaining the books and records of the UUCEF, monitoring account balances and rebalancing as necessary, arranging Investment Committee meetings and preparing minutes, maintaining the website with current performance information and meeting minutes, meeting with Investment Managers, monitoring monthly reports from Investment Managers and consultants, preparing and distributing quarterly performance reports, answering inquiries from investors and interested congregations, conducting shareholder activism on behalf of the UUCEF, and other tasks as appropriate from time-to-time.

#### **Andrew McGeorge, Treasurer & Chief Financial Officer**

Andrew is the senior UUA staff person responsible for the Fund. In addition to overseeing the Department of Finance, he supervises the Operations staff group and the General Assembly and Conference Services group. Andrew joined the UUA in July 2019 following over 13 years in the credit union industry, including the past six years as chief financial officer of Service Credit Union in Portsmouth, NH. Prior to that, Andrew worked for Barclays Capital in New York on the institutional fixed income sales desk. Andrew is a CFA charterholder and holds an MBA from the McCombs School of Business at the University of Texas at Austin. Andrew completed his undergraduate degree in materials science and engineering at the Massachusetts Institute of Technology. He is a member of South Church in Portsmouth, New Hampshire.

#### **Susan Helbert, Assistant to the Treasurer**

Susan is responsible for the UUCEF's relations with congregations. As such, she is the initial contact for inquiries from congregations interested in obtaining information about the Fund. Susan joined the UUA in September of 2012 and prior to that worked for Calvert Investments, a leader in sustainable and responsible investing.

### **Members of the Investment Committee**

#### **Kathy Mulvey, Chair**

A lifelong UU, Kathy Mulvey is a member of All Souls Unitarian in Washington, DC. She served on the Board of Trustees and on the Third Century Challenge committee that led the congregation's capital campaign fundraising. Kathy has worked with socially responsible investors and shareholder activists on a range of public health, human rights, environmental, social and economic justice issues over the past quarter century. She is currently Accountability Campaign Manager and Advocate at the Union of Concerned Scientists. In this role, she leads strategic development of UCS's climate corporate accountability campaign, guides engagement with corporate targets, builds national and international coalitions and mobilizes experts and supporters. From 2012-2015, Kathy directed EIRIS Conflict Risk Network of institutional investors. She worked with public pension funds, university endowments, asset management firms, foundation, faith-based and socially responsible investors calling on companies to support peace and stability in areas affected by genocide and mass atrocities, including Sudan and Burma/Myanmar. From 1989-2009, Kathy served on the staff of Corporate Accountability International (formerly Infact), guiding dramatic growth in programs, budget and staffing her tenure as Executive Director. Under her leadership, Corporate Accountability International's campaign challenging Big Tobacco contributed to the adoption of the World Health Organization's (WHO's) groundbreaking global tobacco treaty.



## **Andrew McGeorge, UUA Treasurer & Chief Financial Officer**

Please see background above under UUA Staff.

## **David Stewart, Co-Financial Advisor**

David Stewart is the co-Financial Advisor to the UUA, focusing on the Investment and Audit Committees. He completed an MBA from the University of Tulsa with a Finance and Portfolio Management concentration in 1998 while working in manufacturing related to his Bachelors in Chemical Engineering. He subsequently worked in academia for a time after completing a PhD in Industrial/Organizational Psychology in 2010. At UU since 2000, he has volunteered in many committees of his home congregations, including Youth Advising, Ministerial Selection, Ministerial Intern Evaluation, Endowment, Worship Associates, Preschool Startup, congregational Board of Trustees, and congregational President. He served on the Socially Responsible Investment Committee for the UUA for eight years and concurrently on the UUA Investment Committee for four years. He currently manages his family business of rental real estate and lives in Atlanta, Georgia with his three sons and wife of 24 years.

## **Eric Horvath**

Eric is primarily driven by a single, fundamental question: how do we transform how power and resources are shared in our economy, while truly centering the brilliance and bravery of those who have been systematically excluded? At Common Future, Eric serves as its Director of Capital Strategies, where he leads the organization's work in designing and developing innovative investment capital products for BIPOC communities, with an emphasis on creating more just terms, structures, and impacts. In addition, he also teaches a course on impact investing for City College's MPA program. Before joining Common Future, Eric worked at Transform Finance, where he launched several initiatives that collaborated with activists, organizers and other social sector allies across the country to explore paths for their communities to harness and reclaim capital. He has also worked in philanthropy, where he supported the Woodcock Foundation's grantmaking and impact investing efforts. Through his time at the foundation, he helped steward several millions of dollars in grants and program-related investments. Outside of work, he is engaged in progressive local politics and mentoring youth of color. A former Fulbright ETA, Eric earned his MPA from the Maxwell School at Syracuse University and is completing an MBA from the Stern School of Business at NYU. He calls Brooklyn home.

## **Brian Lasher**

Brian is Head of Investment Strategy and a Lead Advisor at CIG Capital Advisors (CIG) which provides successful entrepreneurs and senior executives with wealth management and business advisory services. The firm's DNA includes an extensive focus on medical professionals and their enterprises. CIG offers solutions to successfully navigate the complex intersection of business, wealth, and family -- allowing clients to focus on what is most important to them, including socially responsible investing. Brian's past experience includes developing innovative and successful investments as CIO of a private equity firm, Principal for a manager/advisor to multi-asset class, multi-manager discretionary portfolios, Managing Director at an investment subsidiary of a Fortune 50 insurance company, and Vice President at a Forbes 400 family office. Earlier in his career, he directed financing for a NYSE-listed regional shopping mall REIT and post college, he completed real estate development and construction management projects in Boston and the surrounding areas. Brian holds an MBA in Investment Management and Finance from Columbia Business School and a Bachelor of Science in Mechanical Engineering from the Massachusetts Institute of Technology (MIT). Brian has been a member of the Birmingham (MI) Unitarian Church and The Universalist Church of West Hartford. Currently, he is an active member of The Unitarian Church in Westport.

## **Vanessa Lowe**

Vanessa's career has been focused on economic and social justice starting with 10 years in Philadelphia legal service agencies - Juvenile Law Center, National Clearinghouse for the Defense of Battered Women and AIDS Law Project of Pennsylvania. She's spent the last 20 years in federal service supporting access to capital for underserved communities. She underwrote investments in community development financial institutions (CDFIs) while working for the U.S. Treasury Department's CDFI Fund, delivered consulting and training to strengthen small credit unions at the National Credit Union Administration, and currently works for the Economic Development Administration delivering disaster recovery support for Puerto Rico and the Virgin Islands. She's currently pursuing the Chartered Financial Consultant (ChFC) certification and hosts Vanessa's Money Hour, a bi-weekly radio show on G-town Radio. Ms. Lowe has a B.S. in Education from Temple University and an MBA from the Wharton School of the University of Pennsylvania. She's a proud member of the Unitarian Society of Germantown. Vanessa is excited

to return to the UUA's Committee on Socially Responsible Investing (CSRI). From 2005-2011 she served, leading the committee's working group on Community Investments and later serving as CSRI co-chair. She discovered All Souls Church and Unitarian Universalism in 2001 after moving to DC to work for the U.S. Treasury Department. At All Souls DC she served as Treasurer and helped to produce Money, Values and Impact - A Conference on Ethical Investing for UU Congregations in 2009.

### **John Minahan**

John Minahan has been active in UU congregations since 1984 when he began attending First Parish in Cambridge, MA as a graduate student. Currently he is a member of First Parish in Dorchester, MA, where he has lived since 1987. John's career has played out at the boundary of finance academia and investment management practice. After finishing his Ph.D. at the MIT Sloan school of Management in 1988, he taught at UMass-Boston for several years. He left UMass in 1992 to work as an institutional investment consultant, which he did first at Meketa Investment Group, and subsequently at NEPC (New England Pension Consultants) and at MetLife. He also worked as a self-employed independent consultant for several years. In 2010 John returned to academia as a Senior Lecturer in Finance at the MIT Sloan School. At MIT he taught project-based courses in finance research and consulting, and also served as the Head of the Finance Track of the MBA program and as Associate Faculty Director of the Master of Finance Program. He left MIT in 2015 and has worked as an independent consultant since then. John is a CFA Charterholder and has been active in investment professional associations. He is a past president of the Boston Security Analysts Society and of the Boston Economic Club. John has been active in social justice causes for most of his life. Currently, he serves on the board of Crossing Point Arts, which runs workshops in the arts for survivors of human trafficking.

### **Ken Redd**

Kenneth E. Redd is a Senior Director, Research and Policy Analysis at the National Association of College and University Business Officers (NACUBO). At NACUBO, Ken directs the annual survey of college and university endowments and other studies on higher education finance issues. He came to NACUBO in 2008 from the Council of Graduate Schools. Previously, he was Director of Higher Education Research at the USA Group Foundation and Director, Research and Policy Analysis at the National Association of Student Financial Aid Administrators. In addition to his professional work, Ken is also a Senior Fellow at the University of Georgia Institute of Higher Education. Ken also serves on the advisory board of the Frank Batten School of Public Policy at the University of Virginia and the Alumni Society Board of the Hubert H. Humphrey School of Public Affairs, University of Minnesota. Ken has a master's degree in public affairs from the Hubert H. Humphrey School of Public Affairs, University of Minnesota, and a bachelor's degree in English and Political Science from Tuft's University, Medford, MA.

### **Julie Sky**

Julie works with the Interfaith Center on Corporate Responsibility through her role on the Socially Responsible Investment Committee. She's on the Board of Tulsa Interfaith Alliance and is active in all-things-green, in Tulsa. She is a member of the All Souls Green Team, Sustainable Tulsa and the local chapter of the Sierra Club. She will be a Sustainable Tulsa Scorecard Coach for 2019, working with local companies to save money and improve their business practices. A passionate gardener, she is a Linnaeus Master Gardner and recently started a community garden for South Tulsa Community House. She is also a founding member of the City of Tulsa Human Rights Committee subcommittee "Compassionate Tulsa" and a member of the Tulsa Chamber of Commerce's Diversity and Inclusion initiative, "Mosaic." Committed to reducing violence in the Tulsa community, Julie is active in the All Souls Criminal Justice Committee. She was appointed to Tulsa's Community Policing Commission, and Sheriff Regalado recently appointed her to Tulsa's Citizen's Jail Oversight and Review Committee. In 2001, she joined the 1921 Tulsa Race massacre Committee and has been active since on reparations and other ways to heal the scars deep within Tulsa's history. With over three decades of experience in the financial services industry, Julie combines her experience with her passion for Values-Based Investing as she works with families, nonprofits, and endowments. Her knowledge of research-based best practices allows her to focus on strategic planning and investment policy design for families and organizations. She also has extensive experience in retirement plan participant education. Her work on Sustainable Impact Investing became such a passion she launched her own Registered Investment Advisor firm, Skye Advisors LLC, in December of 2017. She now can focus on Environmental Social Governance (ESG) Investing all day, every day. She holds a Bachelor's Degree in finance and a Master's Degree in organizational change from the University of Tulsa. She has also passed the Series 65 exam.

#### **Exhibit D: Investment Consultants, Managers and Service Providers**

**New England Pension Consultants (“NEPC”)** NEPC serves as the principal investment consultant to the Investment Committee, helping devise investment strategies to achieve asset diversification, growth and income targets, while implementing risk-reduction strategies. NEPC plays a key role in conducting searches for Investment Managers and evaluating their performance. NEPC brings to the Fund systems, comprehensive performance databases, and report diagnostics. NEPC is a full-service investment consulting firm founded in 1986 and is based in Cambridge, MA. For more information, visit: [www.nepc.com](http://www.nepc.com)

**Sustainalytics (“Sustainalytics”)** Sustainalytics advises the UUA on SRI issues and assists in identifying companies for investment screening. It also provides a “UU Values Score” – a score compiled by grading companies’ environmental, social, and governance practices according to UU values. Utilizing the UU Values Score and SRI screening the Investment Committee uses the UU Values Score to develop criteria for favoring and avoiding specific securities (“Custom UU”). Sustainalytics is the world’s largest independent provider of environmental, social and governance research, analysis, and support services. For more information, visit: [www.sustainalytics.com](http://www.sustainalytics.com).

**Institutional Shareholder Services (“ISS”)** ISS conducts research on proxy matters, makes recommendations, and then handles proxy voting on shares owned by the Fund as we direct. ISS was founded in 1985 and is located in Rockville, MD. For more information, visit [www.issproxy.com](http://www.issproxy.com).

**U.S Bank N.A.** USB is one of the largest firms providing custodial services for securities transactions and currently provides these services for the UUCEF. For more information, visit [www.usbank.com](http://www.usbank.com).

**HWA International, Inc. (“HWA”)** HWA is the provider of the Fund’s cloud-based trust accounting and online reporting software system. HWA provides a full range of processing and reporting solutions for foundations, banks, trust companies, family offices and other financial institutions. They have been providing trust accounting software since 1977.

**Mayer Hoffman McCann P.C. – Tofias New England Division (“Tofias”)** Tofias is one of New England’s largest and fastest growing accounting and consulting providers. It is the 6th largest national accounting provider in New England and the 8th largest accounting provider in the U.S. The firm provides a breadth of services to privately held companies, public companies, not-for-profit organizations, family offices, and individuals. For more information see [www.cbiz.com](http://www.cbiz.com).

Manager	Fund/Ticker	Management Fee*	Asset Class	SRI Characteristics
Acadian Asset Management <a href="http://www.acadian-asset.com">www.acadian-asset.com</a>	Emerging Markets Equity Fund	0.75%	Emerging Market Equity	ESG Strategy
Boston Common Asset Management <a href="http://www.bostoncommonasset.com">www.bostoncommonasset.com</a>	Separate Account	0.63%	International Equity	ESG strategy, custom UU exclusions, shareholder advocacy, PRI Signatory
Brandywine Global Investment Mgmt. Co. <a href="http://www.brandywineglobal.com">www.brandywineglobal.com</a>	Global Opportunistic Fixed Income	0.45%	Global Fixed Income	ESG strategy, PRI Signatory
Brockton Capital <a href="http://www.brocktoncapital.com">www.brocktoncapital.com</a>	Brockton Capital Fund III	1.75%	Private Real Estate	ESG Strategy
Canvas Capital S.A	Canvas Distressed Fund, L.P.	1.50%	Private Debt	None
Entrust Capital <a href="http://www.entrustcapital.com">www.entrustcapital.com</a>	Class X	0.45%	Hedge Fund	None
Fund Evaluation Group <a href="http://www.feg.com">www.feg.com</a>	FEG Private Opportunities	0.85%	Private Equity	None
GCM Grosvenor <a href="http://www.gcmgrosvenor.com">www.gcmgrosvenor.com</a>	Grosvenor Advance Fund	0.70%	Private Equity	ESG & DEI
GQG Partners <a href="http://www.gggpartners.com">www.gggpartners.com</a>	Global Equity Fund	0.60%	Global Equity	ESG Strategy
Generation Investment Management <a href="http://www.generationim.com">www.generationim.com</a>	Sustainable Solutions Fund III	1.5%	Private Equity	Climate Solutions Investment
	Sustainable Solutions Fund IV	1.0%	Private Equity	
	Global Equity Fund	1.0%	International Equity	ESG & Sustainability
HCAP Partners <a href="http://www.hcaplc.com">www.hcaplc.com</a>	HCAP Partners IV, LP	2.0%	Debenture Small Business Investment Co.	Social Impact
	HCAP Partners V, LP	2.0%		
Lindsell Train <a href="http://www.lindselltrain.com">www.lindselltrain.com</a>	Global Equity	0.60%	Global Equity	None
Loomis Sayles & Co. <a href="http://www.loomissayles.com">www.loomissayles.com</a>	Multisector	0.57%	Unconstrained Bonds	PRI Signatory
MFS Investment Management <a href="http://www.mfs.com">www.mfs.com</a>	International Concentrated Equity	0.75%	International Equity	ESG Strategy, PRI Signatory
OCP Asia Limited <a href="http://www.ocpasia.com">www.ocpasia.com</a>	Orchard Landmark Fund	2.00%	Private Debt	None
Ownership Capital Management <a href="http://www.ownershipcapital.com">www.ownershipcapital.com</a>	Global Equity Fund, LP	0.70%	Public Equity	ESG Strategy, PRI Signatory
RBC Global Asset Management <a href="http://www.rbcga.com">www.rbcga.com</a>	Emerging Markets Equity Fund RBF416	0.50%	Emerging Market Global Equity	ESG Strategy, PRI Signatory
RRG Capital Management <a href="http://www.renewablegroup.com">www.renewablegroup.com</a>	Sustainable Water Impact Fund	2.00%	Private Equity	Social Impact
Rhumblin Advisers <a href="http://www.rhumblinadvisers.com">www.rhumblinadvisers.com</a>	Separate Account	0.12%	US Large Cap Equity	Favor/avoid: Custom UU Ratings
SJF Ventures <a href="http://www.sjfventures.com">www.sjfventures.com</a>	SJF Ventures IV	2.00%	Private Equity	Social Impact Investments
State Street Global Advisors <a href="http://www.ssga.com">www.ssga.com</a>	Treasury Index	0.04%	Fixed Income	None
	TIPS	0.04%	Fixed Income	
Stone Castle <a href="http://www.stonecastle.com">www.stonecastle.com</a>	FICA for Impact	0.15%	Fixed income	Social Impact
Sands Capital Management <a href="http://www.sandscapital.com">www.sandscapital.com</a>	Separate Account	0.75%	US Large Cap Equity	Negative screen: UU Custom Exclusions
WCM Investment Management, LLC <a href="http://www.wcminvest.com">www.wcminvest.com</a>	Separate Account	0.75%	Small Cap Growth	Negative screen: UU Custom Exclusions
Wellington Management <a href="http://www.wellington.com">www.wellington.com</a>	CTF SMID Cap Value	0.90%	Small/Mid Cap Equity	ESG Strategy, PRI Signatory

**Exhibit E: Financial Report of the Unitarian Universalist**  
**Common Endowment Fund, LLC**



**Financial Statements**

**Unitarian Universalist  
Common Endowment Fund LLC**

**June 30, 2022 and 2021**



# UNITARIAN UNIVERSALIST COMMON ENDOWMENT FUND LLC

## *Financial Statements*

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**Mayer Hoffman McCann P.C.**  
500 Boylston Street ■ Boston, MA 02116  
Main: 617.761.0600 ■ Fax: 617.761.0601  
[www.cbiz.com/newengland](http://www.cbiz.com/newengland)

## *Independent Auditors' Report*

The Board of Trustees  
Unitarian Universalist Common Endowment Fund LLC  
Boston, Massachusetts

### ***Opinion***

We have audited the financial statements of the Unitarian Universalist Common Endowment Fund LLC ("UUCEF"), which comprise the statements of net assets, including the condensed schedules of investments, as of June 30, 2022 and 2021, and the related statements of operations, changes in net assets and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of UUCEF as of June 30, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Basis for Opinion***

We conducted our audits in accordance with auditing standards generally accepted in the United States of America ("GAAS"). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of UUCEF and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### ***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about UUCEF's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.





### ***Auditors' Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of UUCEF's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about UUCEF's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

*Mayer Hoffman McCann P.C.*

Boston, Massachusetts  
November 21, 2022

# UNITARIAN UNIVERSALIST COMMON ENDOWMENT FUND LLC

## Statements of Net Assets

June 30,

(in thousands)

	2022	2021
Assets:		
Investments, at fair value (Cost \$208,870 in 2022 and \$193,289 in 2021)	\$ 223,731	\$ 263,072
Cash and cash equivalents	7,945	7,140
Other current assets	33	37
<b>Total assets</b>	<b>231,709</b>	<b>270,249</b>
Liabilities:		
Accrued expenses and other liabilities	258	301
<b>Net assets</b>	<b>\$ 231,451</b>	<b>\$ 269,948</b>

(in units and dollars)

Shares of beneficial interest outstanding	23,004,786.3314	22,393,799.5239
Net asset value per share	\$ 10.0610	\$ 12.0546

# UNITARIAN UNIVERSALIST COMMON ENDOWMENT FUND LLC

## Condensed Schedule of Investments

June 30, 2022

(in thousands)

<i>Description</i>	<i>Security Type</i>	<i>Initial Investment Date</i>	<i>Cost Basis</i>	<i>Fair Value</i>	<i>% of Net Assets</i>
Domestic Equity					
	Traded Equities	Various	\$ 47,074	\$ 45,461	20%
	Pooled Fund	4/1/2016	20,654	20,803	9%
			<u>67,728</u>	<u>66,264</u>	
International Equity					
	Traded Equities	5/1/2010	10,032	10,534	5%
	Mutual Fund	4/1/2013	8,587	13,756	6%
	Pooled Fund	Various	21,877	29,049	13%
			<u>40,496</u>	<u>53,339</u>	
Global Equity					
	Pooled Fund	Various	39,423	37,412	16%
			<u>39,423</u>	<u>37,412</u>	
Fixed Income					
	Pooled Fund	Various	45,903	46,375	20%
			<u>45,903</u>	<u>46,375</u>	
Opportunistic					
	Hedge Fund of Funds	8/1/2009	604	507	0%
			<u>604</u>	<u>507</u>	
Private Markets					
	UK Sterling Pooled Real Estate Fund	8/1/2015	984	1,947	1%
	Private Investment Fund	6/1/2014	6,617	9,304	4%
	Opportunistic Expansion	Various	4,214	5,682	2%
			<u>11,815</u>	<u>16,933</u>	
Other					
	Loans and Depository Agreements	Various	2,901	2,901	1%
<b>Total Investments</b>			<u>\$ 208,870</u>	<u>\$ 223,731</u>	97%

# UNITARIAN UNIVERSALIST COMMON ENDOWMENT FUND LLC

## Condensed Schedule of Investments

June 30, 2021

(in thousands)

<i>Description</i>	<i>Security Type</i>	<i>Initial Investment Date</i>	<i>Cost Basis</i>	<i>Fair Value</i>	<i>% of Net Assets</i>
Domestic Equity					
	Traded Equities	Various	\$ 42,686	\$ 61,521	27%
	Pooled Fund	4/1/2016	20,477	26,745	12%
			<u>63,163</u>	<u>88,266</u>	
International Equity					
	Traded Equities	5/1/2010	9,120	14,430	6%
	Mutual Fund	4/1/2013	8,587	16,440	7%
	Pooled Fund	Various	21,916	37,398	16%
			<u>39,623</u>	<u>68,268</u>	
Global Equity					
	Pooled Fund	Various	24,000	25,568	11%
			<u>24,000</u>	<u>25,568</u>	
Fixed Income					
	Traded Fixed Income	11/1/2014	10,130	10,644	5%
	Pooled Fund	Various	43,905	54,526	24%
			<u>54,035</u>	<u>65,170</u>	
Opportunistic					
	Hedge Fund of Funds	8/1/2009	604	512	0%
			<u>604</u>	<u>512</u>	
Private Markets					
	UK Sterling Pooled Real Estate Fund	8/1/2015	622	1,628	1%
	Private Investment Fund	6/1/2014	4,762	6,135	3%
	Opportunistic Expansion	Various	3,714	4,759	2%
			<u>9,098</u>	<u>12,522</u>	
Other					
	Loans and Depository Agreements	Various	2,766	2,766	1%
<b>Total Investments</b>			<u>\$ 193,289</u>	<u>\$ 263,072</u>	115%

# UNITARIAN UNIVERSALIST COMMON ENDOWMENT FUND LLC

## Statements of Operations

For the Years Ended June 30,

(in thousands)

	2022	2021
Investment income	\$ <u>2,576</u>	\$ <u>1,767</u>
Expenses:		
Investment manager fees	1,559	1,453
Consultant and other expenses	403	438
UUA administrative fees	515	463
Audit fees	<u>45</u>	<u>43</u>
Total expenses	<u>2,522</u>	<u>2,397</u>
<b>Net investment income (loss)</b>	<b><u>54</u></b>	<b><u>(630)</u></b>
Realized and unrealized (losses) gains from investments:		
Net realized gain from investments sold	9,312	13,874
Unrealized investment gains (losses)	<u>(54,922)</u>	<u>41,885</u>
<b>Net realized and unrealized (losses) gains from investments</b>	<b><u>(45,610)</u></b>	<b><u>55,759</u></b>
<b>Net (decrease) increase in net assets from operations</b>	<b>\$ <u>(45,556)</u></b>	<b>\$ <u>55,129</u></b>

# UNITARIAN UNIVERSALIST COMMON ENDOWMENT FUND LLC

## *Statements of Changes in Net Assets*

*For the Years Ended June 30, 2022 and 2021*

*(in thousands)*

<b>Net assets July 1, 2020</b>	<b>\$ <u>198,466</u></b>
Change in net assets from operations:	
Net investment loss	(630)
Net realized gains	13,874
Unrealized gains	<u>41,885</u>
Net investment return	55,129
Change in net assets from fund share transactions	<u>16,353</u>
Total change in net assets	<u>71,482</u>
<b>Net assets June 30, 2021</b>	<b><u>269,948</u></b>
Change in net assets from operations:	
Net investment gain	54
Net realized gains	9,312
Unrealized losses	<u>(54,922)</u>
Net investment return	(45,556)
Change in net assets from fund share transactions	<u>7,059</u>
Total change in net assets	<u>(38,497)</u>
<b>Net assets June 30, 2022</b>	<b>\$ <u><u>231,451</u></u></b>

# UNITARIAN UNIVERSALIST COMMON ENDOWMENT FUND LLC

## Statements of Cash Flows

For the Years Ended June 30,

(in thousands)

	2022	2021
<b>Cash flows from operating activities:</b>		
Change in net assets	\$ (45,556)	\$ 55,129
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Net change in realized and unrealized losses (gains) from investments	45,610	(55,759)
Purchase of investments	(37,613)	(47,509)
Proceeds from sales and maturities of investments	31,344	38,330
Changes in assets and liabilities:		
Other current assets	4	(11)
Accrued expenses and other liabilities	(43)	52
<b>Net cash used in operating activities</b>	<b>(6,254)</b>	<b>(9,768)</b>
<b>Cash flows from financing activities:</b>		
Capital contributions	19,277	28,259
Capital withdrawals	(12,218)	(11,906)
<b>Net cash provided by financing activities</b>	<b>7,059</b>	<b>16,353</b>
<b>Net change in cash and cash equivalents</b>	<b>805</b>	<b>6,585</b>
Cash and cash equivalents as of beginning of year	7,140	555
<b>Cash and cash equivalents as of end of year</b>	<b>\$ 7,945</b>	<b>\$ 7,140</b>

# UNITARIAN UNIVERSALIST COMMON ENDOWMENT FUND LLC

## *Notes to Financial Statements (in thousands)*

### **Note 1 - Business and Organization**

The Unitarian Universalist Common Endowment Fund LLC ("UUCEF") is a Massachusetts limited liability company formed pursuant to a Limited Liability Operating Agreement (the "Agreement") dated October 11, 2012. The purpose of the entity is to provide a centralized investment vehicle for the Unitarian Universalist Association (the "Association"), its member congregations, and certain other qualified entities. The Association provides oversight and management of UUCEF and its investments.

UUCEF provides an opportunity for member congregations to invest their funds utilizing professional investment management, administration, and reporting capabilities. The funds are operated much like a mutual fund with the investments of UUCEF and member congregations being co-mingled such that each participant will share in the returns on the funds in pro-rata relationship to their units of ownership. New units are issued when new monies are to be invested, while redemptions reduce units outstanding. The net asset value per unit is adjusted monthly based on underlying changes in the fair value of investments. UUCEF net assets are without donor restrictions, but some of the underlying funds have restrictions at their respective reporting entity level.

The investments of UUCEF are deployed under the general direction of an Investment Committee appointed by the Association's Board of Trustees. The Investment Committee has contracted with an outside consultant to assist in the selection and oversight of professional investment management firms, an asset allocation policy and guidelines for rebalancing asset classes. The professional investment management firm, under the oversight of the Investment Committee, manages the investment portfolio.

### **Note 2 - Summary of Significant Accounting Policies**

#### ***Basis of Financial Statement Presentation***

The accompanying financial statements are presented on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. UUCEF is considered a non-profit entity that follows investment company accounting and reporting guidance in accordance with Financial Accounting Standards Board ("FASB") ASC No. 946, *Financial Services - Investment Companies*. The significant accounting policies followed by UUCEF are as follows:

#### ***Cash and Cash Equivalents***

UUCEF considers highly liquid instruments with maturities of three months or less at the date of purchase to be cash equivalents. Cash and cash equivalents are stated at cost plus accrued interest. Cash equivalents include treasury money market and money market mutual funds which are not insured. UUCEF maintains its cash balances at several financial institutions, which, at times, may exceed federally insured limits. UUCEF monitors its exposure associated with cash and cash equivalents and has not experienced any losses in such accounts.



# UNITARIAN UNIVERSALIST COMMON ENDOWMENT FUND LLC

## *Notes to Financial Statements (in thousands)*

### **Note 2 - Summary of Significant Accounting Policies (Continued)**

#### ***Investments***

Investments are stated at fair value as per the fair value policies outlined later in these accounting policies.

#### ***Fair Value Measurements***

UUCEF follows fair value standards of accounting with respect to its investments. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. These standards require an entity to maximize the use of observable inputs (such as quoted market prices in active markets) and minimize the use of unobservable inputs (such as appraisals or other valuation techniques) to determine fair value. The fair value standards also provide for a practical expedient of fair value allowing for the use of net asset value per share ("NAV") when certain requirements are met. The fair value standards require that for each item carried at fair value that such be disclosed in accordance with the valuation methods used following a categorization system based on the approach to determination of fair values as follows:

- Level 1* – inputs are quoted prices in active markets for identical assets or liabilities that UUCEF has the ability to access at measurement date.
- Level 2* – inputs other than quoted prices in active markets that are either directly or indirectly observable.
- Level 3* – inputs are derived from valuation methodologies, including pricing models, discounted cash flow models and similar techniques, and are not based on market, exchange, dealer, or broker-traded transactions. In addition, Level 3 valuations incorporate assumptions and projections that are not observable in the market and significant professional judgment is required in determining the fair value assigned to such assets or liabilities.

Items valued using NAV methods are separately categorized and disclosed.

The level in the fair value hierarchy within which a fair value measurement in its entirety falls is based on the lowest level of input that is significant to the fair value measurement in its entirety.

It is possible that redemption rights may be restricted or eliminated by investment managers in the future in accordance with the underlying fund agreements. Market price is affected by a number of factors, including the type of instrument and the characteristics specific to the instrument. Instruments with readily available active quoted prices or for which fair value can be measured from actively quoted prices generally will have a higher degree of market price observable inputs and a lesser degree of judgment used in measuring fair value. It is reasonably possible that change in values of these instruments will occur in the near term and that such changes could materially affect amounts reported in these financial statements.

# UNITARIAN UNIVERSALIST COMMON ENDOWMENT FUND LLC

## *Notes to Financial Statements (in thousands)*

### **Note 2 - Summary of Significant Accounting Policies (Continued)**

#### ***Investment Income (Loss) and Realized and Unrealized Gains and Losses***

Interest income is recorded as earned. Dividend income is recognized on the ex-dividend date net of any withholding taxes on foreign dividends when applicable. Interest and dividend income is offset by operating expenses of the fund in arriving at net investment income (loss).

Realized gains and losses are recorded based on the trade date of the sale of the underlying security compared to its cost of acquisition. Unrealized gains and losses are determined by comparing current fair value to the cost of acquisition when acquired.

#### ***Income Taxes***

UUCEF has been determined to be exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code (the "Code"). UUCEF is classified under the Code as a public charity Type I supporting organization under Section 509(a)(3).

#### ***Uncertain Tax Positions***

UUCEF accounts for the effect of any uncertain tax positions based on a "more likely than not" threshold to the recognition of the tax positions being sustained based on the technical merits of the position under scrutiny by the applicable taxing authority. If a tax position or positions are deemed to result in uncertainties of those positions, the unrecognized tax benefit is estimated based on a "cumulative probability assessment" that aggregates the estimated tax liability for all uncertain tax positions. UUCEF's status as a tax-exempt organization and its determination as to its investment returns being considered related to its exempt purpose are its key positions which do not result in an uncertainty requiring recognition. UUCEF is not currently under examination by any taxing jurisdiction. As a tax-exempt church related organization, UUCEF is exempt from filing certain non-profit filings such as Internal Revenue Service ("IRS") Form 990. UUCEF does file a Form 990T.

#### ***Use of Estimates***

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America ("GAAP") requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities, at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

#### ***Reclassifications***

Certain reclassifications have been made to the 2021 consolidated financial statements in order to conform to the current presentation. Such reclassifications had no effect on changes in net assets.

# UNITARIAN UNIVERSALIST COMMON ENDOWMENT FUND LLC

## *Notes to Financial Statements (in thousands)*

### **Note 3 - Investments and Fair Value**

The fair value of investments within the fair value hierarchy was as follows at June 30:

<b>2022</b>				
	<b>Level 1</b>	<b>Level 2</b>	<b>Investments Measured at NAV</b>	<b>Total</b>
Domestic Equity	\$ 45,460	\$ 20,804	\$ -	\$ 66,264
International Equity	10,534	42,805	-	53,339
Global Equity	-	27,412	10,000	37,412
Fixed Income	25,349	10,846	10,180	46,375
Opportunistic	-	-	507	507
Private Markets	-	-	16,933	16,933
Community investments	-	2,901	-	2,901
<b>Total investments</b>	<b>\$ 81,343</b>	<b>\$ 104,768</b>	<b>\$ 37,620</b>	<b>\$ 223,731</b>

<b>2021</b>				
	<b>Level 1</b>	<b>Level 2</b>	<b>Investments Measured at NAV</b>	<b>Total</b>
Domestic Equity	\$ 61,521	\$ 26,745	\$ -	\$ 88,266
International Equity	14,430	53,838	-	68,268
Global Equity	-	25,568	-	25,568
Fixed Income	31,630	21,248	12,292	65,170
Opportunistic	-	-	512	512
Private Markets	-	-	12,522	12,522
Community investments	-	2,766	-	2,766
<b>Total investments</b>	<b>\$ 107,581</b>	<b>\$ 130,165</b>	<b>\$ 25,326</b>	<b>\$ 263,072</b>

Community investments represent investments in community development credit unions and banks and in funds that make loans for affordable housing and start-up enterprises in low-income communities, which is done in support of the organization's mission. These investments are carried at costs, which approximates fair market value.

# UNITARIAN UNIVERSALIST COMMON ENDOWMENT FUND LLC

## *Notes to Financial Statements (in thousands)*

### **Note 3 - Investments and Fair Value (Continued)**

Investments have the following redemption notice periods at June 30, 2022:

Daily	\$	111,597
Monthly		68,037
Bi-Monthly		13,756
Illiquid		<u>30,341</u>
<b>Total</b>	<b>\$</b>	<b><u>223,731</u></b>

Unfunded commitments to the investment vehicles amounted to \$7,112 and \$5,499 at June 30, 2022 and 2021, respectively.

Management has no intentions or plans to liquidate any net asset value per share practical expedient investments at other than net asset value per share.

### **Note 4 - Membership Interest and Related Party Transactions**

The beneficial interests in UUCEF for the Association, affiliated member congregations and other qualified entities is represented by units without par value. Each unit represents an equal beneficial interest in the net assets of UUCEF. The Association, as manager of UUCEF, has full power and authority to issue additional units, redeem or cause the redemption of units, or take such other action with respect to the units as provided for under the Agreement.

The net increase (decrease) in net assets resulting from operations is allocated to each member on a monthly basis in proportion to the number of units held by them as of the valuation date.

The Association's endowment owned 43.5% and 43.4% of the units outstanding as of June 30, 2022 and 2021, respectively. The Association also administers trusts for the benefit of affiliated congregations and qualified entities which accounted for 6.6% and 7.1% of the units outstanding as of June 30, 2022 and 2021, respectively.

The Association earned administrative fees of \$515 and \$463 to manage UUCEF during the years ended June 30, 2022 and 2021, respectively. Amounts due to the Association were \$41 and \$143 at June 30, 2022 and 2021, respectively.

# UNITARIAN UNIVERSALIST COMMON ENDOWMENT FUND LLC

## *Notes to Financial Statements (in thousands)*

### **Note 5 - Financial Highlights (in per share amounts)**

Per unit operating performance (for a participating unit outstanding) for years the ended June 30, 2022 and 2021:

<b>Net asset value at July 1, 2020</b>	<b>\$</b>	<b>9.4947</b>
Net investment loss		(0.0295)
Net realized and unrealized gain		<u>2.5894</u>
<b>Net asset value at June 30, 2021</b>		<b>12.0546</b>
Net investment gain		0.0020
Net realized and unrealized loss		<u>(1.9956)</u>
<b>Net asset value at June 30, 2022</b>	<b>\$</b>	<b><u>10.0610</u></b>

	<b>2022</b>	<b>2021</b>
Total return to net assets (a)	-16.40%	27.30%
Ratio of expenses to average net assets	1.00%	0.98%
Ratio of net investment gain (loss) to average net assets	0.02%	-0.26%

(a) UUCEF's rate of return is calculated by the Association's investment consultant in accordance with the Global Investment Performance Standards which take into account intra-period cash flows, distributions and the relative weighting of asset classes.

Financial highlights are calculated for members taken as a whole. A member's return and ratio may vary based on timing of capital transactions. The net investment income ratio does not reflect the income and expenses incurred by underlying private investment companies.

# UNITARIAN UNIVERSALIST COMMON ENDOWMENT FUND LLC

## *Notes to Financial Statements (in thousands)*

### ***Note 5 - Financial Highlights (in per share amounts) (Continued)***

Rollforward of number of beneficial shares in units outstanding for the years ended June 30, 2022 and 2021:

<b>Beneficial shares in units outstanding at July 1, 2020</b>	<b>20,902,867</b>
Units issued	2,377,148
Units redeemed	(1,106,367)
Pending issuance	<u>220,151</u>
<b>Beneficial shares in units outstanding at June 30, 2021</b>	<b>22,393,799</b>
Units issued	1,790,270
Units redeemed	(1,206,713)
Pending issuance	<u>27,430</u>
<b>Beneficial shares in units outstanding at June 30, 2022</b>	<b><u>23,004,786</u></b>

### ***Note 6 - Subsequent Events***

UUCEF has evaluated subsequent events through November 21, 2022, the date the financial statements were authorized to be issued and has determined no items merit disclosure or adjustment.

**Exhibit F: UUCEF, LLC Subscription Agreement**



**SUBSCRIPTION AGREEMENT FOR UNITARIAN UNIVERSALIST  
COMMON ENDOWMENT FUND, LLC**

<i>Full name of Subscriber entity:</i>	
<i>Federal Employer I.D. No.:</i>	
<i>Title of Account (if different from Subscriber name):</i>	
<i>Street address of principal office Of Subscriber:</i>	
<i>Primary Contact Person of Subscriber:</i>	
<i>Person(s) signing this Agreement</i>	<i>Name:</i>
<i>On behalf of Subscriber:</i>	<i>Telephone:</i>
	<i>Email:</i>
<i>Date of vote authorizing this Subscription:</i>	
<i>Name of body/committee Authorizing this subscription:</i>	
<i>Subscriber is contributing: (Minimum \$10,000.00)</i>	\$ <i>The account will be established, and funds credited on the first business day of the following calendar month..</i>

The “Subscriber” entity identified above hereby subscribes to invest in the Unitarian Universalist Common Endowment Fund, LLC (the “Fund” or the “UUCEF”), on terms described in the UUCEF Investment Information Memorandum, as amended and supplemented to date (the “Offering Memorandum”), and subject to all provisions of this Subscription Agreement and of the Limited Liability Company Operating Agreement of the Fund (as may be amended from time to time, the “Operating Agreement”).

The Subscriber hereby represents, warrants, and agrees as follows:

1. Present Investment: UUA Discretion as Manager. The Subscriber offers and agrees to contribute, transfer, and deliver funds and/or securities in the amount identified above, as an investment in the Fund, and (if not already a Member) agrees to become a Member of the Fund and a signatory to the Operating Agreement. The terms of this investment shall be governed by this Subscription Agreement and the Operating Agreement.



The Subscriber represents and warrants that (i) it has carefully reviewed the Offering Memorandum, the Operating Agreement, and this Agreement (collectively referred to here as the “*Fund Documents*”), (ii) it has had a full and fair opportunity to ask such questions to Andrew McGeorge (Treasurer/Chief Financial Officer of UUA) as it and its advisors (if any) have considered appropriate in connection with investing in the Fund and is satisfied with the information provided in response to any such questions, and

(iii) no person has made or provided to the Subscriber, and the Subscriber has not relied upon, any representation or warranty concerning the terms of an investment in the Fund, or provided any description or other information concerning the Fund, that is not set forth in the Fund Documents.

The Subscriber acknowledges that the Unitarian Universalist Association (the “*UUA*”) has been designated as the Fund Manager (the “*Manager*”), and in that capacity has full power and discretion to manage the affairs of the Fund in accordance with the terms of the Operating Agreement. The Subscriber acknowledges that this Subscription Agreement shall become binding on the Fund only upon acceptance and execution by the Fund Manager, and that the UUA may accept or reject this subscription in whole or in part, in its sole discretion.

2. Handling of Money or Securities Pending Investment. Pursuant to Section 2.2(c) of the Operating Agreement, pending the investment of money contributed to the Fund, such money shall be held in an account at a bank selected by the Manager, without interest. Contributions are to be made in immediately available funds, except that the Manager shall have discretion to accept or reject contributions made in the form of investment securities or other in-kind contributions.

If the Manager decides to allow a Subscriber to tender investment securities as part of its contribution, it is agreed that the Manager in its sole discretion may sell the securities for the account of the Subscriber, with the resulting proceeds (net of commissions and any other costs of disposition) held and contributed to the Fund as provided above.

If for any reason the Manager decides not to accept the Subscriber’s entire subscription under this Subscription Agreement, the Manager shall promptly cause any money submitted by the Subscriber to be returned to the Subscriber, without interest or deduction (and if the Subscriber had tendered securities toward its subscription, the Manager shall return those securities together with dividends or distributions, if any, received thereon).

3. Investment in Units. The Subscriber’s entire interest in the Fund shall be represented by units in the Fund (“Units”), valued as a pro rata portion of the Net Asset Value of the Fund as a whole, as computed by the Manager from time to time in accordance with the Operating Agreement. Net Asset Values are adjusted to market at least once per month based on publicly reported trading prices of securities, with illiquid assets being valued in the Managers’ discretion from time to time.
4. Additional Investments. Under the Operating Agreement, the Subscriber may from time to time add money or securities to its Account with the Fund. Any such new money and securities shall be invested in the Fund as of the Investment Date that next follows the

delivery of such money or securities to the UUA. The Manager has established a minimum amount for each additional investment by a Member (presently, \$1,000).

5. Distributions. As provided in Section 2.2(e) of the Operating Agreement, each participating Member may elect to receive distributions (paid quarterly for accounts in excess of \$25,000.00 or annual for accounts less than \$25,000.00) from their account with the Fund. Attached as Appendix A is the Subscriber's signed and completed Distribution Election Form setting forth the Subscriber's initial instructions to the Manager regarding distributions. Such distributions from the Fund will be made through electronic ACH transfers directly to the Subscriber's designated bank account. See Appendix C.
6. Redemptions. Section 5.1 of the Operating Agreement provides each Member with certain rights to require the Fund to redeem Units at Net Asset Value. Full or partial redemptions are generally handled without special charges, if the Member gives at least 30 days' (or, if withdrawing \$100,000 or less, 10 days') prior written notice of redemption requests. The Fund reserves the right temporarily to suspend or limit redemptions under certain circumstances, as specified in Sections 5.3 and 5.4 of the Operating Agreement.
7. Investment Managers. The UUA's discretionary authority to manage all assets held in the Fund, includes authority to appoint one or more investment managers (each an "Investment Manager"). Members should not be contacting any Investment Managers directly, and accordingly the Subscriber agrees to communicate instead with the UUA itself as to all matters involving operation and investment of the Fund.
8. Due Authority of Subscriber. Execution and delivery by the Subscriber of this Subscription Agreement and any other documents and instruments to be provided by the Subscriber pursuant hereto, as well as consummation by the Subscriber of the transactions contemplated hereby and thereby, have been duly authorized by all requisite organizational actions on the part of the Subscriber (including, if required, congregational approval). The Subscriber represents to the UUA that no other corporate act or proceeding on the part of the Subscriber is necessary to authorize entry into this Subscription Agreement or such other documents and instruments or to authorize consummation of the transactions contemplated hereby and thereby. This Subscription Agreement constitutes, and when executed and delivered, the other documents and instruments to be provided by the Subscriber pursuant hereto will constitute, valid and binding agreements of the Subscriber, enforceable against it in accordance with their respective terms, except as such may be limited by bankruptcy, insolvency, reorganization or other laws affecting creditors' rights generally and by general equitable principles.
9. Additional Acknowledgments. Without prejudice to the effectiveness of all the provisions of the Operating Agreement, the Subscriber specifically acknowledges the following provisions of the Operating Agreement:
  - (1) *Exoneration and Indemnification.* Section 4.2 of the Operating Agreement limits the liability of the Manager and its officers and agents. Article X of the Operating Agreement provides rights of indemnification out of the assets of the Fund for the Members and the Manager, and allows the Manager to extend such rights to officers, directors, employees and agents of the Fund and the Manager.

- (2) *Manager's Right to Require Member Withdrawal.* Section 5.2 of the Operating Agreement provides the Manager with discretion to require a Member's withdrawal and the redemption of that Member's Units, subject to stated procedures and conditions.
- (3) *Restrictions on Transfer or Encumbrance of Units.* Section 9.1 of the Operating Agreement generally prohibits the sale, pledge, or other transfer (with or without consideration) of all or any part of the Membership Interest owned or held by a Member, but does provide the Manager with discretion to allow a transfer to another charitable organization, subject to such conditions as the Manager reasonably imposes.
- (4) *Reversion.* Section 12.2 of the Operating Agreement provides that if a Member is dissolved or loses its status as a qualified charitable organization, the undivided portion of the Net Asset Value of the Fund attributable to such Member's then outstanding Units shall become the property of the Manager, or its successor, subject to all applicable laws. With the prior written approval of the Manager, such Member may recommend transfer of those Net Assets to another Unitarian Universalist organization.
- (5) *Notices.* Section 13.1 of the Operating Agreement sets forth procedures by which notice may be given, or deemed given, to the Manager or to a Member.
- (6) *Amendments.* Section 13.7 of the Operating Agreement sets forth procedures by which the Manager may adopt binding amendments to that Agreement, subject to stated exceptions that require consent from Members.

10. Notices and Transmission of Funds or Securities.

- (1) *Transmissions of Funds.* The Subscriber may transmit funds to the Fund either by check, submitted with the agreement, or by wire transfer to the following account utilizing the procedures specified below:

Bank Name: U.S. Bank N.A., 60 Livingston Ave., Saint Paul, MN 55107-2292

ABA Number: 091000022

Account Name: ITC South & East Depository Account

Account Number: 173103781832

FFC Account Name: UUCEF Cash Account

FFC Account Number: 6728029071

OBI: [Insert your UUCEF Account Name]

**NOTE:** Before wiring funds, you must notify the UUA via email to [treasurerasst@uua.org](mailto:treasurerasst@uua.org), stating the date and dollar amount of the wire.

- (2) *Transmission of Securities.* Except with prior written consent of the UUA, no subscriber may purchase Units in the Fund by delivery in-kind of previously-owned securities. If part of the Subscriber's investment in the Fund consists of securities, the Subscriber shall contact the Manager to arrange for the transmission of such securities either in physical form (together with required endorsements) or by broker transfer. If the Fund has reason to return physically delivered securities to the Subscriber pursuant to Section 2 of this Subscription

Agreement, such securities shall be transmitted by registered mail, return receipt requested, to the address specified by the Subscriber in Section 12 of this Subscription Agreement.

- (3) *Payments to Subscriber.* Payments of distributions and redemption proceeds to the Subscriber shall be made by the Fund through electronic ACH transfers directly to the Subscriber's designated bank account. The Fund discourages payouts in the form of checks and will only issue checks if prior arrangements with the Fund have been made. If by prior arrangement a payout is to be made by check, the check will be sent by first class mail to the notice address specified by the Subscriber as provided in Section 13.1 of the Operating Agreement, with payment in each case credited as of the date of the check regardless of the date actually received by the Subscriber.
  - (4) The Subscriber acknowledges that the Fund or financial institutions engaged by the Fund may, in order to process contributions to the Fund and payments by it, need to obtain certain information concerning the Subscriber, the source of its contributions to the Fund and other matters in order to comply with anti-money laundering and related requirements, and the Subscriber agrees to provide such information and certifications as the Fund may request for those purposes.
11. Governing Law. This Subscription Agreement shall be construed, and the rights and obligations of the parties hereunder shall be enforced, in accordance with the laws of the Commonwealth of Massachusetts, without application of the conflict-of-laws principles thereof, as if made and to be wholly performed within the Commonwealth.
12. Notices under Subscription Agreement. Any notices, requests, statements, communications or payments or transmissions of securities (if applicable) required or permitted to be given hereunder shall be delivered or addressed to the Fund or the Subscriber as set forth below. Either the Fund or the Subscriber may change its address or the persons specified below by providing notice of the same in accordance herewith. Upon the Subscriber becoming a Member as to the present investment, the notice provisions of Section 13.1 of the Operating Agreement shall be deemed to supersede this Section.

To the Manager on behalf of the Fund:

Attention: UUCEF Manager  
Unitarian Universalist Association  
24 Farnsworth Street  
Boston, MA 02210

Telephone No.: (617) 948-4306  
Facsimile: (617) 367-3237  
Email: [treasurerasst@uua.org](mailto:treasurerasst@uua.org)

To the Subscriber: at the address set forth on the Signature Page hereof.

13. Authorized Person(s). The Subscriber confirms that each “Authorized Person” designated on Appendix B of this Subscription Agreement shall have the authority on behalf of the Subscriber to make additional investments in the Fund, request redemptions, change the distribution rate and conduct other business with the Fund. Any change in a designated Authorized Person must be sent in writing to the Manager with certification of approval by the Subscriber’s governing body. If more than one Authorized Person is designated on Appendix B, then each (acting singly) has authority to give binding instructions on behalf of the Subscriber unless the Subscriber specifically notifies UUCEF to the contrary, in writing.
14. Counterparts. This Subscription Agreement may be executed in any number of counterparts, each of which shall be deemed an original and all of which together shall constitute one and the same agreement.

Instructions to Subscriber: Attached hereto are

- (i) a signature page for this Subscription Agreement: *after reviewing this Subscription Agreement carefully, please fill out the identifying information and have this signed by an authorized person on behalf of the Subscriber*
- (ii) a Distribution Election Form: *please fill out the desired rate of distribution (0% per annum to 6% per annum) and have this signed by an authorized person on behalf of the Subscriber*
- (iii) an Authorized Persons Form: *please specify who is authorized to make changes in the specified distribution rate and other key elections and have this signed by all such authorized persons on behalf of the Subscriber*
- (iv) an Authorization Agreement for Direct Deposit: *completion of this form is required for payments of Quarterly Distributions and/or Withdrawal Requests*
- (v) a signature page for the Operating Agreement: *after reviewing the Operating Agreement carefully, please fill out this signature page and have it signed by an authorized person on behalf of the Subscriber – by so doing, you are authorizing the Manager of the Fund to accept the Subscriber as a Member of UUCEF and to file your signature with the Operating Agreement, evidencing your acceptance of all terms and conditions of that agreement.*

[Signature Pages follow]

[SIGNATURE PAGE TO SUBSCRIPTION AGREEMENT]

**IN WITNESS WHEREOF**, this Subscription Agreement has been duly executed on behalf of the Subscriber and in its name by its officer thereunto duly authorized, as of the \_\_\_\_\_ day of \_\_\_\_\_ 20\_\_, and shall be deemed a contract executed under seal.

Name of Subscriber:

\_\_\_\_\_  
\_\_\_\_\_

By: \_\_\_\_\_

Name:

Title:

Notice Address for Subscriber:

Address: \_\_\_\_\_

\_\_\_\_\_  
\_\_\_\_\_

Attention: \_\_\_\_\_

Telephone: \_\_\_\_\_

Facsimile: \_\_\_\_\_

Email: \_\_\_\_\_

Congregation's office email: \_\_\_\_\_

Accepted as of \_\_\_\_\_, 20\_\_:

UNITARIAN UNIVERSALIST COMMON  
ENDOWMENT FUND, LLC

By: UNITARIAN UNIVERSALIST  
ASSOCIATION, Manager

By: \_\_\_\_\_

Name: Andrew McGeorge

Title: Treasurer & Chief Financial Officer

UNITARIAN UNIVERSALIST COMMON ENDOWMENT FUND, LLC

Distribution Election Form

**\*\*\*Even if electing a 0% distribution rate, this form must still be completed and returned\*\*\***

The undersigned owner of Units in the Unitarian Universalist Common Endowment Fund, LLC (the "Fund") hereby elects the following quarterly or annual distribution rate to be effective until further notice, to be computed in accordance with the provisions of Section 2.2(e) of the Limited Liability Company Operating Agreement of the Fund dated as of January 1, 2018, as amended from time to time.

0.0 – 6.0% per annum	%	<i>(Please enter distribution rate, which must end either with ".0%" or ".5%")</i>

Accounts with a market value of \$25,000.00 or greater will receive quarterly distributions paid out in April, July, October and, January.

Accounts with a market value under \$25,000.00 will receive annual distributions paid out in July.

IN WITNESS WHEREOF, the undersigned has caused this Distribution Election Form to be executed on its behalf and in its name by its officers thereunto duly authorized this

\_\_\_\_\_ day of (month) \_\_\_\_\_, (year) \_\_\_\_\_ .

\_\_\_\_\_  
(name of Owner)

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

**AUTHORIZED PERSONS FORM**

Name of Subscriber/Owner: \_\_\_\_\_  
 \_\_\_\_\_

On behalf of the above-named Subscriber or Owner, the following individuals are authorized to make additions to the account, request redemptions, change the distribution rate, and conduct other business with the Fund (“Authorized Person”). Any change in the Authorized Person must be sent in writing to the UUA with certification of approval by the governing body of the Congregation.

Date: \_\_\_\_\_, 20\_\_\_\_\_

Name and Email Address		Attested Signature
Name: _____		
Email: _____		
Name: _____		
Email: _____		
Name: _____		
Email: _____		
Name: _____		
Email: _____		
Name: _____		
Email: _____		
Name: _____		
Email: _____		



**This form must be completed even if you enter 0% on the Distribution Election Form.**

**AUTHORIZATION AGREEMENT FOR DIRECT DEPOSITS (ACH CREDITS)  
OF QUARTERLY DISTRIBUTION AND ADDITIONAL WITHDRAWALS**

UUCEF, LLC Account Name\_\_\_\_\_

I, on behalf of the above named Congregation hereby authorize **Unitarian Universalist Common Endowment Fund, LLC**, hereinafter called UUCEF, LLC, to initiate credit entries to our Account indicated below at the depository financial institution named below, hereafter called DEPOSITORY (Bank), and to credit the same to such account. I acknowledge that the origination of ACH transactions to our account must comply with the provisions of U.S. law. The depository will be credited with all quarterly distributions and any additional requested withdrawals. Once authorized, the UUCEF, LLC will no longer send checks unless previous arrangements have been made by the account holder.

Bank Name: \_\_\_\_\_

Branch number or Name: \_\_\_\_\_

City: \_\_\_\_\_ State: \_\_\_\_\_

Zip Code: \_\_\_\_\_

Routing Number: \_\_\_\_\_ Select One: Checking \_\_\_\_\_

Account Number: \_\_\_\_\_ Savings \_\_\_\_\_

***[You MUST ATTACH a check payable from the indicated account marked VOID, to this authorization request to verify accuracy of routing and account numbers.]***

This authorization is to remain in full force and effect until UUCEF, LLC has received written notification from an authorized signer on the account of its termination within 30 days prior to distribution transaction date.

Name \_\_\_\_\_ (Please Print)

Signature \_\_\_\_\_ Date \_\_\_\_\_

NOTE: THIS AUTHORIZATION MAY BE REVOKED BY NOTIFYING THE UUCEF IN WRITING IN THE MANNER SPECIFIED ABOVE.

[FORM OF OPERATING AGREEMENT SIGNATURE PAGE  
FOR SUBSCRIBERS/INVESTING MEMBERS]

**IN WITNESS WHEREOF**, this Limited Liability Company Operating Agreement has been duly executed on behalf of the subscribing entity identified below, and in its name, by its officer thereunto duly authorized, and shall be deemed a contract executed under seal. Regardless of the date signed, this signature page shall become effective on and as of the date of admission of the Subscriber as a Member of the Fund or (if already a Member) as of the effective date of acceptance of its additional investment in the Fund, as determined by the Manager.

Signature Date: ....., 20.....

Name of Subscriber/Investing Member:

.....

.....

By: \_\_\_\_\_

Name:

Title:

**Exhibit G: Limited Liability Company Operating Agreement of the Fund**



UNITARIAN UNIVERSALIST COMMON ENDOWMENT FUND, LLC

**OPERATING AGREEMENT**

effective June 1, 2021

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## **Limited Liability Company Operating Agreement**

This Limited Liability Company Operating Agreement (this “Agreement”) is made and entered into as of January 1, 2016 by the Unitarian Universalist Association (the “Manager”).

### **Witnesseth:**

On October 11, 2012, Unitarian Universalist Common Endowment Fund, LLC, a Massachusetts limited liability company (the “Fund”), was formed by causing a Certificate of Organization (the “Certificate of Organization”) to be filed with the Secretary of State of The Commonwealth of Massachusetts pursuant to the provisions of the Massachusetts Limited Liability Company Act, Chapter 156C, as it may be amended or succeeded from time to time (the “Massachusetts Act”). The Unitarian Universalist Association has previously been the sole and founding member of the Fund, in addition to being the Manager of the Fund.

The Fund now desires to create this Operating Agreement and hereby provide for the issuance and sale of limited liability company interests to the Manager and Unitarian Universalist congregations (“Congregations”) affiliated with the Unitarian Universalist Association, as well as certain other Qualified Entities (as defined in Section 2.4) that become members of the Fund pursuant to the provisions of this Agreement (together with the Manager, the “Members”).

NOW, THEREFORE, in consideration of the covenants and agreements contained herein, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

### **Article I**

#### **Organization and Purpose**

1.1 Formation. The Members hereby confirms the formation of the Fund pursuant to the Massachusetts Act, and the rights and obligations of the Members shall be as provided in the Massachusetts Act, the Certificate of Organization and this Agreement.

1.2 Principal Place of Business. The principal office and place of business of the Fund shall be at the offices of the Manager, 24 Farnsworth Street, Boston, Massachusetts 02210-1409. The Fund may locate its principal office and places of business at any other place or places within Massachusetts that the Manager may from time to time designate.

1.3 Registered Agent and Registered Office. The name of the Fund’s registered agent and the address of the Fund’s registered office in The Commonwealth of Massachusetts shall be Unitarian Universalist Association, Attention of Unitarian Universalist Common Endowment Fund, LLC, 24 Farnsworth Street, Boston, Massachusetts 02210-1409. The registered agent and registered office may be changed by the Manager, from time to time, by filing the name of the new registered agent and/or the address of the new registered office with the appropriate authority as required by applicable law.



1.4 Term. The Fund shall continue in existence until it is dissolved and terminated in accordance with the terms of this Agreement.

1.5 Purpose. The Fund has been organized and shall be operated exclusively for charitable, educational and scientific purposes within the meaning of Section 501(c)(3) of the Internal Revenue Code of 1986 (the “Code”). Subject to and in furtherance of the foregoing, and subject to and upon the terms of this Agreement, the purpose of the Fund shall be to serve as an investment vehicle for the assets of the Manager, the Congregations and such Qualified Entities as may be specified herein and, in furtherance thereof, to engage in such other lawful acts or activities for which limited liability companies may be organized under the Massachusetts Act. The Fund shall not engage in any business or activity not connected with the foregoing purpose. In the course of the Fund’s operation:

(a) No part of the net earnings of the Fund shall inure to the benefit of, or be distributable to, its officers, individuals involved in its management or other private persons, except that the Fund shall be authorized and empowered to pay reasonable compensation for services rendered;

(b) No substantial part of the activities of the Fund shall be the carrying on of propaganda, or otherwise attempting to influence legislation (except to the extent permitted pursuant to an election made under Section 501(h) of the Code), and the Fund shall not participate in or intervene in any political campaign (including the publication or distribution of statements) on behalf of or in opposition to any candidate for public office; and

(c) The Fund shall be operated at all times exclusively to further the charitable purposes of the Manager and shall not carry on any activities not permitted to be carried on by a corporation exempt from federal income tax and described in Section 501(c)(3) of the Code.

1.6 Title to Property. All Property owned by the Fund shall be owned by the Fund as an entity. No Member shall have any ownership interest in such Property in its individual name, and each Member’s interest in the Fund shall be personal property for all purposes. The Fund shall hold title to all of its Property in the name of the Fund and not in the name of any Member.

## **Article II**

### **Members**

2.1 Membership Interests. The beneficial interests in the Fund (each, a “Membership Interest”) shall be represented by units (the “Units”), without par value, which shall have the rights and privileges set forth in this Agreement. All Units issued hereunder shall be fully paid and nonassessable. Each Unit shall represent an equal beneficial interest in the net assets the Fund. Members shall have no preemptive or other right to subscribe to any additional Units issued by the Fund. The Manager shall have full power and authority, without obtaining Member approval, to issue original or additional Units and fractional Units in accordance with the provisions of Section 2.2, to redeem or cause the redemption of Units in accordance with Article V and to take such other action with respect to the Units as the Manager may deem desirable in furtherance of the foregoing powers.

2.2 Characteristics of Units. The following provisions shall apply regarding the Units of the Fund established in accordance with Section 2.1:

(a) The number of authorized Units that may be issued shall be unlimited. Units that are re-acquired by the Fund shall be cancelled.

(b) Initial units ("Initial Units") shall be issued to Members ("Initial Members") who consent thereto (in such form as the Manager may specify) upon the reorganization of the General Investment Fund (the "GIF") of the Manager on a date (the "Fund Commencement Date") specified by the Manager for the transfer of the assets of the GIF to the Fund. The number and value of the Initial Units on the Fund Commencement Date shall be equal to the number and value of units of the GIF ("GIF Units") held by Initial Members, and each Initial Member shall be issued on the Fund Commencement Date the same number of Units as the number of GIF Units that such Initial Member held as of the close of business on the business day immediately preceding the Fund Commencement Date (*provided* that the foregoing shall be without prejudice to the right, if any, of a Member to redeem units in the GIF pursuant to the terms of the GIF as of the business day immediately preceding the Fund Commencement Date).

(c) After the Fund Commencement Date additional Units shall be issued to existing or new Members, in recognition of the contribution of money or securities by a Member to the Fund, as of the first business day of the calendar month following the receipt of such money or securities but valued at the Net Asset Value (as defined in Article V) of the Units as of the close of business on the last business day of the preceding calendar month, *provided* that the Manager may in its discretion determine to accept an investment into the Fund by any Member (including the Manager itself in its capacity as a Member) as of any other business day at the Net Asset Value of a Unit as of the close of business on the preceding business day. Pending the investment of money contributed to the Fund pursuant to the foregoing, such money shall be held (without credit of interest to the investing Member) in an account at a bank selected by the Manager. Contributions to the Fund in the form of securities shall, in the Manager's discretion, either (i) be sold for the account of the investing Member, with the resulting proceeds (net of commissions and other costs of disposition, if any) held and contributed to the Fund as aforesaid, or (ii), if the Manager determines in consultation with one or more the Fund's investment managers and advisers that such securities constitute an appropriate investment by the Fund, be contributed to the Fund on a date determined by the Manager, valued at the fair market value of such securities as determined by the Manager as of the close of business on the preceding business day. The Manager may establish minimum amounts that will be accepted as initial and subsequent contributions to the Fund and may in its discretion waive such minimum amounts.

(d) All consideration received by the Fund for the issue or sale of Units, together with all assets in which such consideration is invested or reinvested, all income, earnings, profits and proceeds thereof, including any proceeds derived from the sale, exchange or liquidation of such assets, and any funds or payments derived from any reinvestment of such proceeds (in whatever form the same may be) shall irrevocably belong to the Fund, subject only to the rights of creditors, and shall be so recorded upon the books of account of the Fund.

(e) Except as provided in this Section 2.2(e), dividends or distributions by the Fund (if any) shall be distributed pro rata to the holders of Units in proportion to the number of

Units held by such holders at the date and time of record established for the payment of such dividends, *provided* that the Fund shall distribute dividends or distributions solely to (or, solely to the extent permitted upon realization or enforcement of a security interest approved by the Manager pursuant to clause (ii) of the second sentence of Section 9.1, for the benefit of) Members that are Qualified Entities. Except for smaller accounts (discussed below), each Member will be eligible to receive quarterly distributions from the Fund, promptly following the Manager's determination of Net Asset Value of the Units as of the quarter-end (September, December, March and June). In calculating the distribution amount, the Distribution Percentage chosen by the Member (not to exceed 6% per annum) shall be multiplied by the average Unit value as of the end of the previous 13 calendar quarters.<sup>1</sup> A Member's elected Distribution Percentage shall remain in effect until changed by the Member by delivering the Manager a revised Distribution Election Form at least 30 days prior to the date to which any such change in the elected Distribution Percentage is to apply. If a Member has not provided a Distribution Election Form, no distribution shall be made to the Member pursuant to this Section 2.2(e) (subject, however, to the right of Members to effect quarter-end redemptions of Units pursuant to Article V). If, pursuant to Article V, a Member elects to redeem Units as of the end of a calendar quarter, the elected Distribution Percentage (and any resulting change in Units held by the Members) shall be applied first, prior to the redemption to be effected pursuant to Article V. Each distribution to a Member shall reduce that Member's total Units held as if repurchased by the Fund at the Net Asset Value per Unit in effect at the close of business on the same date used to compute the relevant distributions under this Section 2.2(e). All distributions shall have the effect of reducing the Net Asset Value of the Fund immediately following the end of the relevant quarter, by an amount equal to the aggregate dollar amount to be distributed to Members pursuant to their Distribution Percentage elections. Except as provided in this Section 2.2(e), the Manager shall not be obligated, and shall not be expected, to cause the Fund to pay dividends or distributions. Exception for Smaller Accounts: Commencing with the distribution otherwise payable for the March 2018 quarter-end, if the Net Asset Value of a given Member's Units was less than \$25,000 as of the most recent prior June valuation date (or less than \$25,000 on the date of the Member's admission, if later), then subsequent distributions on that account for the period through the following June shall not be paid quarterly on that account, but instead shall be payable on an annual basis, computed as of the end of that following June.<sup>2</sup>

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<sup>1</sup> For these purposes, the 13-quarter average includes the most recently ended quarter and (to the extent necessary) utilizes the quarter-end valuations of the GIF Units for periods prior to the Fund Commencement Date. The same 13-quarter average is applied to all Members receiving the distribution, regardless of when the Member invested in the Fund.

<sup>2</sup> For example, if a Member's account was valued at less than \$25,000 as of June 30, 2018, then the Member will not receive quarterly distributions for the subsequent quarters ended in September, December and March, but instead will receive an annual distribution computed as of the following June, applying the Member's elected Distribution Percentage and the 13-quarter average for that following June. (To accommodate this change in the Fund's dividend policies, the annual distribution paid on a smaller account for period through June 2018 will be reduced by the amount of any quarterly distributions paid on that account for the September and December 2017 quarter-ends.)

(f) Notwithstanding any other provision contained herein to the contrary (including Section 2.2(e)), no dividends or distributions may be declared and made if, after giving effect to such distributions, any of the following would occur: (i) the Fund would not be able to pay its debts as they become due in the usual course of business; (ii) the Fund's total assets would be less than its total liabilities; or (iii) such Distribution would otherwise be in violation of the Massachusetts Act.

(g) The Manager may elect to dissolve and liquidate the Fund, in which event the Members holding Units shall be entitled to receive, when and as determined by the Manager, the excess of the assets belonging to the Fund over the liabilities of the Fund. The assets so distributable to the Members shall be distributed among such Members in proportion to the number of Units held by them and recorded on the books of the Fund. The dissolution and liquidation may be authorized by an instrument in writing signed by the Manager.

2.3 Interest Schedule. The Manager shall maintain, or cause to be maintained by the agents of the Fund, a schedule of all Members, their respective names and addresses and the Membership Interest held by each of them or with respect to which they have paid an amount of cash or other contributions of tangible and intangible property to the Fund with respect to such Membership Interest. Such schedule (the "Interest Schedule") shall be amended from time to time in accordance with the terms hereof to reflect purchases and redemptions of Units by Members, the admission of additional Members or any other change in the Membership Interests pursuant to this Agreement. The Manager shall, upon request by any Member, advise such Member of the number of Units, if any, that such Member then holds. Each Membership Interest in the Fund as reflected in the Interest Schedule shall entitle the holder thereof to an interest in the Fund's assets, liabilities, net profits, net losses and the amount of cash or the net fair market value of any property distributed by the Fund to the Member, in each case as specified in this Agreement, together with such right (if any) to vote on, consent to or otherwise participate in such decision or action of or by the Members as expressly provided pursuant to this Agreement or required pursuant to the Massachusetts Act.

2.4 Membership Qualifications. The term "Qualified Entity" means (i) the Manager, (ii) Congregations, (iii) other entities qualified as nonprofit organizations under Section 501(c)(3) of the Code or any successor provision thereto that are affiliated or associated with the Manager and/or one or more Congregations ("UU Affiliated or Associated Charitable Organizations") and (iv) entities that provide or are intended in the future to provide financial support for one or more of the Manager, a Congregation or a UU Affiliated or Associated Charitable Organization, *provided* that each Qualified Entity must fall into one of the categories set forth in Section 3(c)(10)(B) of the Investment Company Act of 1940 or any successor provision thereto. The Manager must have been organized and be operated exclusively as a Qualified Entity. The Manager shall be a Member without augmentation or diminution of its rights, obligations and status as Manager or as a Member through ownership of Units or of the rights, obligations and status of the other Members. Each Member of the Fund shall, at the time of admission and at all times during its Membership, be a Qualified Entity and must at all times be able to demonstrate to the Manager's satisfaction that it was and is a Qualified Entity. Other than in the case of the Manager (but solely in its capacity as Manager), the status of Member shall be conferred upon acquisition of ownership of Units and shall cease if no Units are owned.

While a Member of the Fund, each Member shall comply with applicable laws permitting such Member to hold Membership Interests.

2.5 Interest on Membership Interest. No Member shall be paid interest on its Membership Interest except as may be expressly provided herein.

2.6 Limitation of Liability. Each Member's liability shall be limited as set forth in this Agreement, the Massachusetts Act and other applicable law. No Member shall have any responsibility to return dividends or distributions made by the Fund except as required by the Massachusetts Act or other applicable law and, in any event, only if a claim is made in accordance with the Massachusetts Act within two (2) years from the date of the Distribution or as otherwise provided by applicable law. Except as otherwise expressly required by law, no Member shall have any liability in excess of (i) the amount of its payments to the Fund to the purchase Units, if any, and (ii) the amount of any distribution wrongfully distributed to such Member. Except as required by the Massachusetts Act, the debts, obligations and liabilities of the Fund, whether arising in contract, tort or otherwise, shall be solely the debts, obligations and liabilities of the Fund, and no Member, Manager, officer, trustee or other agent of the Fund shall be obligated personally for any such debt, obligation or liability of the Fund solely by reason of such status. The failure of the Fund to observe any formalities or requirements relating to the exercise of its powers or management of its business or affairs under this Agreement or the Massachusetts Act shall not be grounds for imposing personal liability on the Members for liabilities of the Fund. Except as otherwise provided by the Massachusetts Act, by applicable law or this Agreement, no Member, in its capacity as a Member, shall have any fiduciary or other duty to another Member with respect to the business and affairs of the Fund, and no Member shall be liable to the Fund or any other Member for relying in good faith upon the provisions of this Agreement. The limitation on liability set forth in the preceding sentence applies solely with respect to each Member's capacity as a Member of the Fund and does not affect any duty owed or liability incurred by a Member by virtue of such Member serving in any capacity other than as a Member with respect to the Fund.

2.7 Limitation on Authority of Members. No Member shall be an agent of the Fund solely by virtue of being a Member, and no Member shall have authority to act for the Fund solely by virtue of being a Member. Other than the Manager, no Member, regardless of whether authorized to do so by other Members, shall have power to bring suit on behalf of the Fund.

### **Article III**

#### **Meetings Of Members**

3.1 Meetings. Special meetings of all Members may be called for any purpose or purposes by the Manager. In addition, solely if (i) the Manager elects to terminate and dissolve the Fund pursuant to Article XI but is unwilling or unable to perform the duties specified therein in connection with such liquidation and dissolution or (ii) the Manager gives notice that it intends to resign as Manager pursuant to Section 4.9 but does not designate a replacement Manager in accordance therewith or call a meeting of Members to designate a replacement Manager, a meeting of all Members may be called to designate a replacement Manager and to take such other actions as the Members may deem necessary under such circumstances

(including amending the provisions of this Agreement) by any one or more of the Members holding at least 10% of the outstanding Units.

3.2 Place of Meetings. The place of meeting shall be the principal office of the Fund unless the Member or Members who called the meeting (if permitted to do so pursuant to Section 3.1) designate any other place within Massachusetts as the place of meeting. Meetings of Members may be held in person or by use of any means of communication by which all Members participating in the meeting may hear each other, including conference telephone or via the worldwide web.

3.3 Notice of Meetings; Waiver of Notice. Written notice stating the place, day and hour of the meeting and the purpose or purposes for which the meeting is called shall be delivered no less than 10 days nor more than 30 days before the date of the meeting, by or at the direction of the Manager or the Members calling the meeting, to each Member entitled to vote at the meeting. When any notice is required to be given to any Member, a waiver of the notice in writing signed by the Member entitled to the notice, whether before, at or after the time stated therein, shall be equivalent to the giving of the notice. Notices shall be given as specified in Section 13.1. The notice of a meeting at which action may be taken by vote of the Members shall specify a record date for the determination of the number of Units held by each Member, as specified in Section 3.4, which date shall not be earlier than the beginning of the calendar month preceding the date of notice of the meeting.

3.4 Quorum and Required Vote. For any meeting of the Members at which action may be taken by vote of the Members, the presence in person or by proxy of a majority of the outstanding Units shall constitute a quorum for the transaction of business. The affirmative vote in person or by proxy of a majority of the outstanding Unit held by Members represented at a meeting shall be required to approve any action thereat unless a greater or a different vote is required by the Massachusetts Act or is provided for by this Agreement. The Manager may, and in case of doubt shall, require evidence of the right of a Person (as used in this Agreement, the term “Person” shall bear the meaning, referring to individuals or entities of any kind, given to it in the Massachusetts Act) to represent a Member or to act as proxy for a Member.

3.5 Action by Members Without a Meeting. Action required or permitted to be taken at a meeting of Members may be taken without a meeting only if all Members consent to such action unanimously in writing.

## **Article IV**

### **Management**

4.1 Manager. The business and affairs of the Fund shall be managed under the direction and control of the Manager. The Unitarian Universalist Association is hereby designated as the Manager and shall hold office until the earlier of its resignation or judicial removal. No other Person shall have any right or authority to act for or bind the Fund except as permitted in this Agreement or as required by law.

4.2 Duty of Care; Liability. The Manager shall perform its duties in good faith, in a manner it reasonably believes to be in the best interests of the Fund and with such care as an ordinarily prudent person in a like position would use under similar circumstances. The Manager shall not be liable to the Fund or to any Member for any loss or damage sustained by the Fund or any Member unless the loss or damage was the direct result of the Manager's bad faith, gross negligence, willful misconduct or reckless disregard in the performance of its duties hereunder. In discharging its duties, the Manager shall be fully protected in relying in good faith upon the records required to be maintained under this Agreement and upon such information, opinions, reports or statements by any of the Members, officers or their agents, or by any other Person as to matters the Manager reasonably believes are within such other Person's professional or expert competence and who has been selected with reasonable care by or on behalf of the Fund, including information, opinions, reports or statements as to the value and amount of the assets, liabilities, profits or losses of the Fund or any other facts pertinent to the existence and amount of Fund property from which distributions might properly be paid.

4.3 Bank Accounts. The Manager may from time to time open bank accounts in the name of the Fund. The Manager shall determine the institution or institutions at which the accounts will be opened and maintained, the types of accounts and the Persons who will have authority with respect to the accounts and the funds therein.

4.4 By-Laws. The Manager may adopt by-laws or other regulations not inconsistent with this Agreement to provide for the conduct of the business of the Fund and may amend or repeal such by-laws or regulations. In the event of any conflict between any such by-laws or regulations and the provisions of this Agreement, the provisions of this Agreement shall govern.

4.5 General Powers. Subject to the restrictions and specifications set forth in this Agreement, the Manager shall have full and complete authority, power and discretion to manage and control the business, affairs and properties of the Fund, to make all decisions regarding those matters and to perform any and all other acts or activities customary or incident to the management of the Fund in furtherance of the Fund's business as an investment fund. The Manager shall act in accordance with the provisions of this Agreement and in accordance with the internal procedures of the Manager that are described in the Fund's Investment Information Memorandum that is prepared by the Manager and distributed to Members from time to time (as such Memorandum may be periodically amended in accordance with Section 13.7, the "Investment Information Memorandum"). The Manager shall have the power:

(a) to employ or contract with such Persons as the Manager may deem desirable for the transaction of the business of the Fund, including, without limitation, administrative personnel and services to operate the Fund on a daily or other basis, on such terms and conditions as the Manager may in its discretion determine;

(b) to delegate from time to time to officers, employees or agents of the Fund the doing of such things and the execution of such instruments either in the name of the Fund or the name of the Manager or otherwise as the Manager may deem expedient;

(c) to remove or fill vacancies in or add to their number, elect and remove such officers and appoint and terminate such agents or employees as it considers appropriate;

(d) to incur and pay any expenses that in the opinion of the Manager are necessary or incidental to carry out any of the purposes of this Agreement, and to fix the compensation of all officers and employees of the Fund (if any);

(e) to collect all property due to the Fund; to pay all claims, including taxes, against the Fund out of the Fund's assets; to prosecute, defend, compromise or abandon any claims relating to the Fund (including a claim relating to a Member's commitment to invest in the Fund or to return money or property paid or distributed to the Member in violation of the Massachusetts Act); to foreclose any security interest securing any obligations, by virtue of which any property is owed to the Fund; and to enter into releases, agreements and other instruments;

(f) to purchase, and pay for out of Fund's assets, insurance policies insuring the Members, the Manager and officers, trustees, employees, agents, investment advisers or independent contractors of the Manager or the Fund against all claims arising by reason of holding any such position or by reason of any action taken by any such Person in such capacity, whether or not constituting negligence, or whether or not the Fund would have the power to indemnify such Person against such liability;

(g) to indemnify any Person with whom the Fund has dealings, including any Investment Adviser or broker, to such extent as the Manager may determine; and

(h) to determine and change the fiscal year of the Fund and the method by which the accounts shall be kept.

4.6 Investments. The Manager shall have the power on behalf of the Fund to:

(a) Subscribe for, invest in, reinvest in, purchase or otherwise acquire, hold, sell, assign, transfer, exchange, distribute, lend or otherwise deal in or dispose of negotiable or non-negotiable instruments, securities, obligations, evidences of indebtedness, certificates of deposit or indebtedness, commercial paper, repurchase agreements, reverse repurchase agreements, options, commodities, commodity futures contracts and related options, currencies, currency futures and forward contracts and related securities, investment contracts and other instruments of any kind, including, without limitation, those issued, guaranteed or sponsored by any and all Persons, including, without limitation, states, territories and possessions of the United States, the District of Columbia and any of the political subdivisions, agencies or instrumentalities thereof, and by the United States Government or its agencies or instrumentalities, foreign or international instrumentalities, or by any bank or savings institution, or by any corporation or organization organized under the laws of the United States or of any state, territory or possession thereof, and of corporations or organizations organized under foreign laws, or in "when issued" contracts for any such securities, or retain Fund assets in cash and from time to time change the investments of the assets of the Fund, and to exercise any and all rights, powers and privileges of ownership or interest in respect of any and all such investments of every kind and description, including, without limitation, the right to consent and otherwise act with respect thereto, with power to designate one or more Persons to exercise any of said rights, powers and privileges in respect of any of said instruments. The Fund's assets may only be transferred to (whether directly or indirectly) any Person in exchange for fair market



value, as determined in good faith by the Manager or any investment adviser retained by the Manager to act on behalf of the Fund pursuant to Section 4.12.

(b) Notwithstanding any other provisions of this Agreement to the contrary, the Fund shall have the power in its discretion without any requirement of approval by Members to invest all or part of the assets of the Fund in one or more other investment funds.

(c) The Manager shall not be limited to investing in obligations maturing before the possible termination of the Fund, nor shall the Manager be limited by any law limiting the investments that may be made by fiduciaries.

4.7 Expenses; Compensation to Manager. The Fund shall bear and be responsible for all expenses relating to the operation of the Fund incurred by it or on its behalf. The Manager shall be reimbursed for direct and indirect expenses incurred by it in the administration of the Fund, including any incremental salary or benefit expenses incurred by the Manager in employing personnel to provide services to the Fund and any other incremental expenses in connection with such administration, in each case as described from time to time in the Investment Information Memorandum.

4.8 No Borrowing; Other Restrictions. The Fund shall have no power to borrow money or otherwise obtain credit or to subject as security the assets of the Fund or to endorse, guarantee or undertake the performance of any obligation, contract or engagement of any other Person. Without limitation of the foregoing restrictions, the Manager shall assure that Fund does not engage in any activity or make any investment that could give rise to the generation of unrelated business taxable income, as defined in Sections 511-514 of the Code, or any subsequent or replacement provisions thereof, *provided* that the assets of the Fund may be invested in a leveraged investment vehicle in such a manner as to not give rise to the generation of such income. .

4.9 Resignation. The Manager may not resign from its position as such except upon the dissolution of the Fund or appointment of a replacement Manager by the Manager or the Members. Any such replacement Manager shall be required to be qualified as a nonprofit organization qualified as a tax-exempt organization described in Section 501(c)(3) of the Code or any successor provision thereto.

4.10 Other Activities. The Manager may engage in and possess interests in other business ventures and investment opportunities of every kind and description, independently or with others, including serving as the manager of other investment vehicles similar to the Fund. Neither the Fund nor any Member shall have any rights in or to such ventures or opportunities or the income or profits therefrom.

4.11 Determination by Manager of Certain Matters. All matters concerning the valuation of any Membership Interests, Units or rights and all accounting procedures not specifically and expressly provided for by the terms of this Agreement shall be determined by the Manager. Such determinations by the Manager, so long as made in good faith, shall be final and conclusive as to all of the Members.

4.12 Investment Advisers. The Manager may delegate discretionary management authority to one or more investment advisers registered as such under federal or state law or to a commercial bank to the extent and in the manner specified in the Investment Information Memorandum. In furtherance of and subject to the foregoing, the Manager may from time to time enter into one or more investment advisory or management contracts whereby the other party or parties to any such contracts undertake to furnish the Fund such management, investment advisory, administration, accounting, legal, statistical and research facilities and services and such other facilities and services as the Manager may from time to time consider desirable, all upon such terms and conditions as the Manager may in its discretion determine.

4.13 Custodians. The Manager shall appoint or otherwise engage one or more banks or trust companies, each having an aggregate capital, surplus and undivided profits (as shown in its last published report) of at least \$100,000,000, to serve as custodian for the Fund's assets with authority as the Fund's agent. Other than interests in mutual funds that are held through a registered account at the mutual fund's transfer agent, bank accounts and uncertificated instruments, such as interests in private investment funds, that are not issued through a nominee ownership structure, all assets of the Fund must be held in a segregated custodial account of such a bank or trust company.

4.14 Parties to Contract. Any contract may be entered into with any Person, although one or more of the Manager, officers, or trustees of the Fund may be an officer, director, trustee or member of such other party to the contract, and no such contract shall be invalidated or rendered voidable by reason of the existence of such relationship nor shall any Person holding such relationship be liable merely by reason of such contract provided that the contract when entered into was not inconsistent with the provisions of this Article IV.

## **Article V**

### **Member Redemptions and Withdrawals**

5.1 Redemption. Each Member shall have the right to require the Fund to redeem all or any portion of its Units as of the last business day of each month (a "Redemption Date") on notice in such form as may be specified by the Manager of at least 30 days prior to the applicable Redemption Date if the Member wishes to withdraw more than \$100,000 and at least 10 days prior to the applicable Redemption Date if the Member wishes to withdraw \$100,000 or less. Redemption proceeds shall be paid only in cash. Subject to the foregoing, the Fund shall, upon application of any Member or pursuant to authorization from any Member, redeem such Member's outstanding Units for an amount per Unit equal to the Net Asset Value thereof. Upon a Member's redemption of all of its outstanding Units (either at the instance of such Member or upon a required redemption and withdrawal at the instance of the Manager pursuant to Section 5.2), that Member shall ipso facto be deemed to have withdrawn as a Member.

5.2 Redemption at the Option of the Manager. The Manager may require a Member's immediate withdrawal as a Member and the redemption of that Member's Units if a majority of the Manager's Investment Committee (as defined in the Investment Information Memorandum) determines in its discretion that the Member is not a Qualified Entity. In addition, the Manager shall have the right in its discretion to require a Member's withdrawal and the redemption of that

Member's Units on such notice as the Manager may in its discretion determine if a majority of the Manager's Investment Committee determines that such withdrawal and redemption is advisable in view of a Member's noncompliance with this Agreement or the Member's terms of subscription for Units or any other conduct by a Member that is deemed detrimental to the Fund.

5.3 Effect of Suspension of Determination of Net Asset Value. If, pursuant to Section 5.4, the Manager declares a suspension of the determination of Net Asset Value with respect to Units of the Fund thereof, the rights of Members (including those who have applied for redemption pursuant to Section 5.1 but who shall not yet have received payment) to have Units redeemed and paid for by the Fund shall be suspended until the termination of such suspension is declared. Any Member whose redemption right is so suspended may, during the period of such suspension, by appropriate written notice revoke any application for redemption not honored. The redemption price of Units for which redemption applications have not been revoked shall be the Net Asset Value of such Units next determined as set forth in Article VI after the termination of such suspension.

5.4 Suspension or Restriction of Right of Redemption. The Manager may declare a suspension of the right of redemption or postpone the date of payment or redemption during the occurrence of one or more of the following circumstances: (i) one or more U.S. or foreign stock exchanges or other markets on which a significant portion of the Fund's investments are listed or quoted, and which constitute the primary markets for such investments, are closed for any reason other than that of an ordinary holiday, or transactions at such exchanges are restricted or suspended; (ii) the existence of a war, natural catastrophe or any like state of affairs that constitutes an emergency as a result of which disposal of investments on behalf of the Fund is not possible in an orderly manner; (iii) any means of communications necessary to determine the price or value of any of the Fund's investments do not function; (iv) the transfer of funds involved in the realization or acquisition of any investments is, in the judgment of the Manager, not possible at normal rates of exchange; (v) a resolution is passed to dissolve the Fund or of the filing of a petition to wind up the Fund; or (vi) the redemption or withdrawal of funds from any investment fund that constitutes a material portion of the Fund's investments is materially restricted, impaired or delayed, including, without limitation, by reason of any of the foregoing or the applicable requirements of any regulatory authority. Such suspension shall take effect at such time as the Manager may specify but not later than the close of business on the business day next following the declaration of suspension, and thereafter there shall be no right of redemption or payment on redemption until the Manager declares the suspension at an end. In the case of a suspension of the right of redemption, a Member may either withdraw its request for redemption or receive payment based on the net asset value existing after the termination of the suspension.

## **Article VI**

### **Determination Of Net Asset Value**

The net asset value ("Net Asset Value") of the Fund and each outstanding Unit shall be determined as of the close of business on the last business day of each calendar month and on such other days and at such time or times as the Manager may determine. The Net Asset Value shall be equal to the excess of the value of the Fund's assets over the amount of its liabilities,

determined in accordance with U.S. generally accepted accounting principles, applied on a consistent basis, as attributable to each Unit.

## **Article VII**

### **Tax Status**

The Fund shall elect to be taxed as a corporation under Subchapter C of the Code but shall, before commencing operations, be required to be recognized by the Internal Revenue Service as tax-exempt under Section 501(a) of the Code as an organization described in Section 501(c)(3) of the Code.

## **Article VIII**

### **Accounting; Books and Records; Reports**

The Manager shall establish such books, records and accounts for the Fund as are required by law and as are customary for businesses similarly situated and as accurately reflect the financial condition of the Fund and the results of its operations in accordance with generally accepted accounting principles consistently applied. The books and records of the Fund may be inspected and/or copied by any Member, at the Member's own expense, during ordinary business hours and for proper purposes. The Manager shall prepare and provide the Members with (i) such monthly written reports of the Fund's results of operation as the Manager in its discretion deems appropriate and (ii) audited annual financial statements within 150 days after the close of each fiscal year.

## **Article IX**

### **Transferability**

9.1 Restriction on Transfer. No Member shall have the right to sell, assign, transfer, exchange, pledge, encumber or otherwise dispose of or grant any right whatsoever in or to (collectively, a "Transfer"), with or without consideration, all or any part of the Membership Interest owned or held by such Member. Notwithstanding the foregoing, the Manager may (i) consent to a Transfer to a Qualified Entity (a "Permitted Transferee"), subject to such requirements as the Manager may reasonably impose to assure that such transfer gives rise to no adverse consequences under this Agreement or to the Manager or any other Member, and (ii) consent to the grant of a security interest by a Member in such Member's interest in the Fund to secure the obligations of such Member to the secured party, subject to such requirements as the Manager may reasonably impose to assure that such grant of a security interest gives rise to no adverse consequences under this Agreement or to the Manager or any other Member and to the requirements that if the secured party is not itself a Qualified Entity (a "Non-Qualified Secured Party"), such Non-Qualified Secured Party's rights upon realization or enforcement of its security interest shall consist exclusively of the right to receive funds payable upon redemption of the Member's interest in the Fund that is subject to such security interest, that such redemption for the benefit of the Non-Qualified Secured Party must be effected promptly upon the occurrence of such realization or enforcement and that such Non-Qualified Secured Party

shall under no circumstances become a Member. Any Membership Interest transferred hereunder shall nevertheless remain subject to the terms of this Agreement in the hands of the Permitted Transferee, and, prior to the registration of such Permitted Transferee as the record owner of such Membership Interest, the conditions set forth in this Agreement must be satisfied and the Permitted Transferee must sign and deliver to the Fund a written agreement to be bound by the terms of this Agreement.

9.2 Admission of Transferee Members. A transferee of all or any portion of a Member's Membership Interest (a "Transferee Member") shall become a Transferee Member only if and when all of the following conditions are satisfied:

(a) the Manager receives written instruments that are in form and substance satisfactory to the Manager, as determined in its discretion, including, without limitation, a counterpart signature page to this Agreement duly executed by such transferee; and

(b) such transferee furnishes the Manager with such information or documentation as the Manager may reasonably request.

9.3 Required Transfers. In the event that a Member ceases to be a Qualified Entity, within 90 days of the Member's loss of Qualified Entity status the Manager shall either cause all of such Member's Units to be redeemed by the Fund or require such Member to sell all of its outstanding Units to another Qualified Entity.

## **Article X**

### **Indemnification**

10.1 Definitions. For purposes of this Article X, each of the following terms shall have the meaning ascribed to such terms in this Section 10.1:

(a) Affiliate. "Affiliate" means, with respect to any Person, any Person that directly or indirectly Controls, is Controlled by or is under common Control with the specified Person. As used in the definition of Affiliate, the term "Control" means the possession, directly or indirectly, of the power to direct or cause the direction or the management and policies of a Person, whether through ownership of voting securities, by contract or otherwise.

(b) Fund Covered Person. "Fund Covered Person" means and includes any former, current or future Member and any former, current or future Manager.

(c) Related Covered Person. "Related Covered Person" means any former, current or future Affiliate, partner, director, officer, trustee, employee, representative or agent of the Fund, of the Manager or of any Affiliate of the Fund.

(d) Proceeding. "Proceeding" means and includes any threatened, pending or completed demand, mediation, arbitration, suit, cause of action, action or other proceeding, whether civil, criminal, administrative or investigative in nature, including any inquiries, preparation or defense related thereto, to which a Fund Covered Person is a party or in which a Fund Covered Person is otherwise involved. Without limiting the generality of the foregoing,

Proceedings expressly include any Proceeding brought by the Fund against such Fund Covered Person or brought in the right of the Fund by any Person against such Covered Person..

(e) Claims. “Claim” means and includes any claim, loss, damages, liability, judgment, fine, settlement, compromise, award, cost, expense or other amount incurred, arising from or otherwise related to any Proceeding, including, without limitation, any attorney fees or costs, expert witness fees or costs incurred in such Proceeding and any costs or expenses incurred in connection or otherwise related to such Fund Covered Person’s establishment of a right to exculpation or indemnification in such Proceeding under this Article X.

10.2 Indemnification. Except as limited by law and subject to the provisions of this Section 10.2, each Fund Covered Person shall be entitled to be indemnified and held harmless on an as-incurred basis by the Fund (but only after first making a claim for indemnification available from any other source and only to the extent indemnification is not provided by that source) to the fullest extent permitted under the Massachusetts Act, as amended from time to time (but, in the case of any such amendment, only to the extent (subject to applicable law) that such amendment permits the Fund to provide broader indemnification rights than such law permitted the Fund to provide prior to such amendment), against all Claims arising from any Proceeding in which such Fund Covered Person may be involved, as a party or otherwise, by reason of such Fund Covered Person being or having been a Manager or a Member of the Fund, *provided* that such right of indemnification shall not extend to actions by a Fund Covered Person constituting bad faith, gross negligence, willful misconduct or reckless disregard in the performance of its duties hereunder or otherwise in relation to the Fund or to conduct with respect to which a Fund Covered Person is found not to have acted in good faith in the reasonable belief that its action was in the best interest of the Fund (“Disabling Conduct”).

10.3 Limit on Indemnification. Notwithstanding Section 10.2 to the contrary, no Fund Covered Person shall be entitled to indemnification in any Proceeding under Section 10.2 to the extent that such Fund Covered Person initiated the Proceeding unless such Proceeding was brought to enforce such Fund Covered Person’s rights to indemnification hereunder.

10.4 Advancement of Expenses. Costs and expenses actually and reasonably incurred by a Fund Covered Person in any Proceeding may, at the sole and absolute discretion of the Manager, be paid by the Fund in advance of final disposition of such Proceeding, provided that the Fund has received an undertaking by or on behalf of such Fund Covered Person to repay such amount if it is ultimately determined that such Fund Covered Person is not entitled to indemnification under Section 10.2.

10.5 Tender of Defense. Any Fund Covered Person may tender defense of any Proceeding or make demand for indemnification under this Article X by providing written notice in accordance with this Agreement to the Manager.

10.6 No Presumption. The termination of any Proceeding by a judgment, decree, order, injunction, settlement, compromise, award, conviction or upon a plea of nolo contendere (or its equivalent) shall not, of itself, create a presumption that a Fund Covered Person engaged in Disabling Conduct.

10.7 Successful Defense. To the extent that any Fund Covered Person is successful on the merits in defense of any Proceeding, such Fund Covered Person shall be deemed and considered entitled to indemnification under Section 10.2.

10.8 No Duplicate Payments. The Fund's indemnification of any Fund Covered Person pursuant to this Article X shall be reduced by any amounts such Fund Covered Person receives as indemnification: (i) under any policy of insurance purchased and maintained on his or her behalf by the Fund; (ii) from another corporation, partnership, joint venture, trust or other enterprise; or (iii) under any other applicable indemnification provision.

10.9 Standard of Conduct. The determination that any Fund Covered Person has met or not met the applicable standard of conduct required by Section 10.2 may be made by a finding, judgment, order or decree of any court or other presiding authority in any Proceeding, whether upon application of the Fund or of such Fund Covered Person.

10.10 Nonexclusive Remedy. The rights and remedies under this Article X shall not be deemed or considered exclusive of or (in any way) diminish, limit, restrict alter or otherwise adversely affect any other right to exculpation or to indemnification or any other right or remedy available to any Fund Covered Person under any agreement, any applicable law or otherwise, both with respect to acts or omissions in an official capacity and acts or omissions in a separate capacity while holding such official capacity.

10.11 Survival of Rights. The rights and remedies under this Article X shall survive and continue for any Person who has ceased to be a Fund Covered Person for any act committed or omission made while a Fund Covered Person and shall inure to the benefit of the heirs, executors and administrators of such Person.

10.12 Amendments. Any repeal or modification of this Article X shall not adversely affect any right or remedy of a Fund Covered Person pursuant to this Article X, including the right to indemnification of a Fund Covered Person, existing at the time of such repeal or modification with respect to any act or omission occurring prior to such repeal or modification.

10.13 Extension of Indemnification Rights to Related Covered Persons. Subject to such exceptions and qualifications as the Manager may in its discretion determine to be appropriate, the Manager may, but shall not be required to, extend rights of indemnification cognate with those provided to Fund Covered Persons under this Article X to Related Covered Persons, either as a matter of contractual right or in response to particular circumstances (including the initiation of a Proceeding), and the Fund shall be bound by, and entitled to the benefit of, the terms of any right of indemnification on the part of an investment manager, custodian or other third party service provider to the Fund pursuant to an applicable agreement with any such Person regardless of any inconsistency of any such terms with the rights of indemnification that such Person would have if covered by this Article X.

## **Article XI**

### **Dissolution and Termination**

11.1 **Dissolution.** The Fund shall be dissolved upon the occurrence of any one of the following events: (i) the election of the Manager in its discretion (but only acting on the decision of the Manager's Board of Trustees), (ii) the written consent of all Members or (iii) the judicial or administrative dissolution of the Fund pursuant to the Massachusetts Act. Except as otherwise set forth in this Article XI, the Members intend for the Fund to have perpetual existence. Notwithstanding any other provision contained herein to the contrary, the Fund shall not be dissolved pursuant to this Section 11.1 if such dissolution would be in violation of applicable law.

11.2 **Effect of Dissolution.** Upon an event of dissolution, the Fund shall cease to carry on its business, except insofar as may be necessary for the winding up of its business, but its separate existence shall continue until the activities set forth in Section 11.3 have been completed. As soon as possible following the occurrence of any of the events specified in Section 11.1 effecting the dissolution of the Fund, the Manager shall cause a certificate of cancellation, in such form as shall be prescribed by the Massachusetts Act, to be executed and filed with the Massachusetts Secretary of State.

11.3 **Liquidation.** Upon dissolution of the Fund, an accounting shall be made of the accounts of the Fund and of the Fund's assets, liabilities and operations, from the date of the last previous accounting until the date of dissolution. The Manager shall immediately proceed to wind up the affairs of the Fund. If the Fund is dissolved and its affairs are to be wound up, the Manager shall:

- (a) Sell or otherwise liquidate all of the Fund's assets as promptly as practicable;
- (b) Allocate any net profits or net losses resulting from such sales to the Members in accordance with this Agreement;
- (c) Discharge all liabilities of the Fund, other than liabilities to Members for Distributions, and establish such reserves as may be reasonably necessary to provide for contingencies or liabilities of the Fund; and
- (d) Distribute the remaining assets to (or, solely to the extent permitted upon realization or enforcement of a security interest approved by the Manager pursuant to clause (ii) of the second sentence of Section 9.1, for the benefit of) the Members, either in cash or in kind, in proportion to their holdings of Units at the time of distribution, *provided* that the Fund shall not distribute any assets to (or for the benefit of) a Member that was not a Qualified Entity at the time of such Member's investment in the Fund.

11.4 **Return of Contributions Nonrecourse to Other Members.** Except as provided by law or as expressly provided in this Agreement, upon dissolution each Member shall look solely to the assets of the Fund for the return of its Membership Interests. The Members shall have no recourse against any other Member.



## **Article XII**

### **Reversionary Clauses**

12.1 With Respect to the Fund. In the event of dissolution of the Fund, any assets remaining in the Fund shall be distributed to its Members that are Qualified Entities in accordance with the provisions of Section 11.3.

12.2 With respect to Members. If a Member dissolves as an entity or for any reason loses its status as a Qualified Entity, and that Member continues to hold Units at the time of such dissolution or loss of status, then after all outstanding debts of the Member are paid, and provided that the Manager is an organization described in Section 501(c)(3) of the Code at such time, the undivided portion of the Net Asset Value of the Fund attributable to such Member's then outstanding Units shall become the property of the Manager, or its successor, subject to all applicable laws. Under such circumstances, with the prior written approval of the Manager, in connection with its dissolution or loss of status such Member may recommend to the Manager another Unitarian Universalist organization that is a Qualified Entity (such as a district, camp, conference center or congregation) as the recipient of an amount equal to the undivided portion of the Net Asset Value of the Fund attributable to such Member's outstanding Units, which recommendation shall be given strong consideration by the Manager.

## **Article XIII**

### **Miscellaneous Provisions**

13.1 Notices. Any notice or demand that, by any provision of this Agreement or any agreement, document or instrument executed pursuant hereto, except as otherwise provided therein, is required or provided to be given shall be deemed to have been sufficiently given or served and received for all purposes when delivered in writing by hand, by facsimile transmission (including a scanned document attached to an email), by email or one business day after being sent by overnight delivery providing receipt of delivery, in each case to the address indicated in a Member's subscription agreement (and, in the case of notices to the Fund or the Manager, to such address as the Manager may provide), as any such address may be updated from time to time by the Person that provided it.

13.2 Further Action. Each Member hereby agrees to execute and deliver to the Fund within 5 days after receipt of a written request therefore such other and further documents and instruments, statements of interest and holdings, designations, powers of attorney and other instruments and to take such other action as the Manager deems necessary, useful or appropriate to comply with any laws, rules or regulations as may be necessary to enable the Fund to fulfill its responsibilities under this Agreement.

13.3 Waiver of Action for Partition. Each Member irrevocably waives any right that he, she or it may have to maintain any action for partition with respect to the property of the Fund.

13.4 No State Law Partnership. The Members intend that the Fund not be a partnership (including, without limitation, a limited partnership) or joint venture, and that no Member be a partner or joint venturer of any other Member for any purposes, and the provisions of this Agreement may not be construed to suggest otherwise.

13.5 Successors and Assigns; Rights and Remedies Cumulative. Each and all of the covenants, terms, provisions and agreements contained in this Agreement shall be binding upon and inure to the benefit of the parties hereto and, to the extent permitted by this Agreement, their respective legal representatives, successors and permitted assigns, *provided* that the Fund shall not merge with or convert to a for-profit entity. The rights and remedies provided by this Agreement are cumulative, and the use of any one right or remedy by any party shall not preclude or waive the right to use any or all other remedies. Said rights and remedies are given in addition to any other rights the parties may have by law, statute, ordinance or otherwise.

13.6 Governing Law; Severability; Counterparts. This Agreement, and the application or interpretation hereof, shall be governed exclusively by its terms and by the internal laws of The Commonwealth of Massachusetts, and specifically the Massachusetts Act. This Agreement shall be considered the “Limited Liability Company Agreement” of the Fund. To the extent this Agreement is inconsistent in any respect with the Massachusetts Act, this Agreement shall control unless prohibited under the Massachusetts Act. If any provision of this Agreement or its application to any Person or circumstance is found to be invalid, illegal or unenforceable to any extent, the remainder of this Agreement and its application shall not be affected and shall be enforceable to the fullest extent permitted by law. This Agreement may be executed in counterparts, each of which shall be deemed an original but all of which shall constitute one and the same instrument.

13.7 Amendment. Except as provided in Section 3.1 and Section 10.12, this Agreement, the Certificate of Organization and the policies and procedures of the Manager described in the Investment Information Memorandum may be amended only by the Manager in accordance with the provisions of this Section 13.7, *provided* that neither the Manager nor the Members may take any action that would (i) change the relative economic interest of a Member in the Units without the consent of all the affected Members or (ii) amend preceding clause (i) without the unanimous agreement of all Members, and *provided further* that any amendments to the Certificate of Organization or this Agreement must be consistent with Section 501(c)(3) of the Code. Subject to the preceding sentence and the last sentence of this Section 13.7, the Manager may amend this Agreement and the policies and procedures of the Manager described in the Investment Information Memorandum upon prior written notice to the Members setting forth the proposed amendment. Such notice of the amendment shall be delivered at least 90 days prior to a designated date as of which the amendment shall take effect, and each Member shall have the right to redeem, upon not less than 30 days' notice (notwithstanding any other notice period for redemption provided for in this Agreement or provisions of the Investment Information Memorandum), all or any portion of the Subscriber's Units. Either the Manager or the Subscriber may waive, but only in writing, any notice or notice period qualification provided for hereunder. Notwithstanding the foregoing provisions of this Section 13.7, the Manager may amend this Agreement and the policies and procedures of the Manager described in the Investment Information Memorandum in the following respects without notice to the Members: (i) in any manner that is necessary or desirable to cure any ambiguity, or to correct or supplement

any provision in this Agreement or such policies and procedures that would otherwise be inconsistent with any other provision in this Agreement or such policies and procedures, or to otherwise provide for matters or questions arising under this Agreement or such policies and procedures, so long as such change shall not be inconsistent with the provisions of this Agreement or such then existing policies and procedures and so long as such change does not adversely affect the Members in any material respect, and (ii) in any manner that is necessary in the Manager's reasonable judgment to allow the Fund to continue to qualify as an organization described in Section 501(c)(3) of the Code.

13.8 Waivers. The failure of any party to seek redress for violation, or insist upon the strict performance, of any covenant or condition of this Agreement shall not prevent a subsequent act that would have originally constituted a violation from having the effect of an original violation. For the purposes of this Agreement and all agreements, documents and instruments executed pursuant hereto, no course of dealing between the Fund and the Members and no delay on the part of any party hereto in exercising any rights hereunder or thereunder shall operate as a waiver of the rights hereof or thereof.

13.9 No Third Party Rights. This Agreement is entered into among the Fund and the Members for the exclusive benefit of the Fund, the Members and their successors and assignees. This Agreement is expressly not intended for the benefit of any creditor of the Fund or any other Person. Except and only to the extent provided by applicable statute, no such creditor or third party shall have any rights under this Agreement or any agreement between the Fund and the Members with respect to any investment, contribution or otherwise.

13.10 Jurisdiction. Except as otherwise expressly provided in this Agreement, the parties hereto agree that any suit, action or proceeding seeking to enforce any provision of, or based on any matter arising out of or in connection with, this Agreement or the transactions contemplated hereby shall be brought in the United States District Court for the District of Massachusetts or, if such court does not have jurisdiction over the subject matter of such proceeding or if such jurisdiction is not available, in the appropriate courts of The Commonwealth of Massachusetts located in Suffolk County, Massachusetts, and each of the parties hereby consents to the exclusive jurisdiction of those courts (and of the appropriate appellate courts therefrom) in any suit, action or proceeding and irrevocably waives, to the fullest extent permitted by law, any objection that it may now or hereafter have to the laying of the venue of any suit, action or proceeding in any of those courts or that any suit, action or proceeding brought in any of those courts has been brought in an inconvenient forum. Process in any suit, action or proceeding may be served on any party anywhere in the world, whether within or without the jurisdiction of any of the named courts. Without limiting the foregoing, each party agrees that service of process on it by notice as provided in Section 13.1 shall be deemed effective service of process.

13.11 Accounting Terms and Determinations. All accounting terms used in this Agreement and not otherwise defined shall have the meaning accorded to them in accordance with generally accepted accounting principles ("GAAP") in the United States of America and, except as expressly provided herein, all accounting determinations shall be made in accordance with GAAP, consistently applied.

13.12 Interpretation. Unless the context otherwise requires, references to sections and articles in this Agreement are to sections and articles of this Agreement.

13.13 Waiver of Trial by Jury. **To the extent they may legally do so, the Fund and the Members hereby expressly waive any right to trial by jury of any claim, demand, action, cause of action or proceeding arising under or with respect to this Agreement or in any way connection with, related to or incidental to the dealings of the parties hereto with respect to this Agreement or the transactions related thereto, in each case whether now existing or hereafter arising, and irrespective of whether sounding in contract, tort or otherwise. To the extent they may legally do so, the Fund and the Members hereby agree that any such claim, demand, action, cause of action or proceeding shall be decided by a court tribunal without a jury and that any party hereto may file an original counterpart or a copy of this section with any court as written evidence of the consent of the other party or parties hereto to waiver of its or their right to trial by jury.**

**IN WITNESS WHEREOF**, the undersigned have executed this Limited Liability Company Operating Agreement, as amended, as of the date first set forth above, and shall be deemed a contract executed under seal.

***Fund:*** UNITARIAN UNIVERSALIST COMMON ENDOWMENT FUND, LLC

By: UNITARIAN UNIVERSALIST ASSOCIATION, Manager

By: 

Name: Andrew McGeorge  
Title: Treasurer and Chief Financial Officer

***Member:*** UNITARIAN UNIVERSALIST ASSOCIATION

By: 

Name: Andrew McGeorge  
Title: Treasurer and Chief Financial Officer

[FORM OF OPERATING AGREEMENT SIGNATURE PAGE  
FOR SUBSCRIBERS/INVESTING MEMBERS]

**IN WITNESS WHEREOF**, this Limited Liability Company Operating Agreement has been duly executed on behalf of the subscribing entity identified below, and in its name, by its officer thereunto duly authorized, and shall be deemed a contract executed under seal. Regardless of the date signed, this signature page shall become effective on and as of the date of admission of the Subscriber as a Member of the Fund or (if already a Member) as of the effective date of acceptance of its additional investment in the Fund, as determined by the Manager.

Signature Date: ....., 20.....

Name of Subscriber/Investing Member:

.....

.....

By: \_\_\_\_\_

Name:

Title: