



**NATURAL LAND INSTITUTE
INVESTMENT POLICY
Adopted April 12, 2007
Amended April 9, 2009, August 13, 2009,
February 11, 2010, April 5, 2010, April 14, 2011**

Introduction

The purpose of this policy statement is to set forth the guidelines and objectives for the management of investment assets held by the Natural Land Institute ("NLI"). The Investment Manager should adhere to the guidelines set forth in this statement, but they should not be construed to be so rigid that they become impractical. The Asset Allocation Guidelines in this policy can be changed by the Investment Manager and Treasurer as economic or market conditions dictate, as long as those changes are implemented for prudent investment purposes and are subsequently reported to the NLI Board of Trustees.

Investment Objective

The investment objective of this Policy is to invest NLI investment assets in a way that first preserves principal and then provides for growth to the extent possible within prudent limits. The investment approach shall be disciplined and consistent over time and among asset classes. Within the Asset Allocation Guidelines set forth herein, allocations among asset classes shall be modified when such actions are expected to produce incremental return, reduce risk or both.

Portfolio Composition

NLI investment assets shall consist of high quality mutual funds, Exchange Traded Funds or individual securities and be broadly diversified at all times. The three basic asset classes in which the NLI assets may be invested are equities, fixed income, and money market mutual funds or securities. The assets allocated to each class shall range within the Asset Allocation Guidelines and Restrictions described below, except that in extraordinary circumstances, as determined by the Investment Manager, greater proportions may be allocated to money market investments. In such instances, subsequent reports shall be made to the Treasurer and thence to the NLI Finance Committee at its next meeting. Except for these extraordinary circumstances, should allocated assets exceed the range provided in the Asset Allocation Guidelines below, such allocation shall be rebalanced at least quarterly.

For diversification purposes, no individual security may exceed 2% of the total investment assets except those of the U.S. Government or those having the direct or implied guarantee of the U.S. Government. Investment in Mutual Funds and Exchange Traded Funds shall be limited to those that are diversified such that the largest holding of such a fund shall not exceed 10% of the fund's total assets, excepting issues of the U.S. Government or issues having the direct or implied guarantee of the U.S. Government.

The market value of securities in the portfolio shall be determined using those provided by the brokerage service maintained by NLI such as AmeriTrade, or by those found in nationally recognized financial news reporting or on-line services such as the Wall Street Journal. Such securities and their values shall be reported to the Board at its regular meetings as part of its on-going financial reporting package.

1. **Equity Securities**

The purpose of the equity component is to primarily provide for growth. The targeted allocation of assets to this equity component may vary from time-to-time within the range provided in the Asset Allocation Guidelines depending upon the relative attraction of equities versus other asset categories and market conditions as determined by the Investment Manager. The Equity Portfolio may include high quality Large-Cap, Mid-Cap, Small-Cap, and International stock components, unless equity securities or funds fall within the limits provided in the “Restricted Transactions” section below.

2. **Fixed Income Securities** (maturities over one year)

The purpose of this fixed income component—consisting of debt securities having maturities in excess of 1 year at the time of their purchase—is to reduce the risk level of the portfolio and to provide a consistent income stream to the portfolio. Mutual funds or exchange traded funds may include U.S. Treasury, Agency, Corporate, Asset Backed, Mortgage Backed and International issues. The fixed may also hold direct issues of U.S. Treasury and Agency securities, as well as bank term CD’s.

The average maturity mix of the aggregate of the fixed income securities within the portfolio shall be within 2 years of the Bond Index provided by the Barkley’s Aggregate Bond Index average maturity. Exceptions, which would otherwise cause deviation from this requirement, may be excluded specifically on approval of the Finance Committee; such approval shall be subsequently reported to the Board. The evaluation of the maturity mix may be based on estimates provided by the Investment Manager.

The quality of fixed income securities shall be of investment grade on their purchase, unless they fall within the limitations provided in the “Restricted Transactions” section below or are otherwise approved by the Finance Committee and subsequently reported to the Board. Investment grade is defined as those ratings of BBB or Baa and above. It is recognized that some mutual funds are managed by advisors known to invest in investment grade securities, although their prospectus provides the possibility of a small percentage below that grade; such funds may be purchased where such advisor is known by the Investment Manager to emphasize quality and such funds shall be considered “investment grade”.

3. **Money Market Investments** (maturities under one year)

NLI investment assets may be invested in high quality, short term and highly liquid money market instruments or mutual funds having a maturity of less than one year at the time of purchase. The purpose of this component is to provide a temporary investment for available cash. High quality shall be defined as U.S. Governments, Agencies or those securities rated A2/P2 or better. Investments may also be made in local bank deposit accounts and CD's, subject to limits of no more than that covered by FDIC Insurance.

Asset Allocation Guidelines

	<u>Money Markets</u>	<u>Equities Target Range</u>	<u>Fixed Income Target Range</u>
Investment Assets*	0-40%	60% 30-70%	40% 10-70%

*Note: Asset Allocation Guidelines for Reserve Fund investments applicable only to Long-Term portion “available for investment” as prescribed by Reserve Fund Policy adopted August 14, 2008, or subsequently amended thereafter.

Restricted Transactions

The “pledge” of Investment Assets is prohibited with out approval of the Board. Hedge Fund, Venture Capital, Private Equity, or Real Estate Investment Trust investments are prohibited holdings. The following types of holdings are to be limited to no more than the percent shown below of assets individually, and to no more than 35% collectively:

- High yield- 10%
- Emerging market- 15%
- Concentration funds- 5%
- Commodity funds- 5%
- Leveraged mutual funds, such leverage not to exceed 50% of assets- 5%
- Mutual funds holding short positions, such not to exceed 50% of assets- 5%

Investment Management

The responsibility for the investments of NLI investment assets is that of the Board of Trustees as delegated to the Treasurer and the NLI Finance Committee (“Committee”). The Finance Committee can further delegate the day-to-day management of such investments to an Investment Manager (“Manager”), under written contract or under an oral arrangement, who is herein authorized to carry out individual investment transactions, subject to the restrictions found in this Policy and the Administrative section below. Such transactions shall have either been previously described to the Committee, or

to the NLI Treasurer, which transactions shall be subsequently reported to the Committee at its next meeting.

Fees, if any, shall be paid from assets and shall be only those that are reasonable and customary as determined under and as governed by the Natural Land Institute's "Guidelines For Quality Based Selection Process For Vendors And Professional Services," which "Vendor Guidelines" were adopted December 13, 2001 by the Board of Trustees.

The Investment Manager will meet at least annually with the NLI Finance Committee regarding portfolio composition, restrictions, and performance results compared to appropriate benchmarks, over appropriate periods of time. Financial reports will be provided to the Committee quarterly and the Treasurer as requested. The Manager will comply with all applicable federal and state laws, rules, and regulations.

Risk Management

Consistent with investment strategies that desire an element of capital appreciation, it is acknowledged that there will be periods of moderate volatility and short-term capital losses. To minimize portfolio risk, the Finance Committee has placed limits on the amount of equity exposure that can be utilized as part of the investment strategy. Furthermore, the Finance Committee, through the language in this document, has placed restrictions on the concentration of individual securities, concentration of securities held within a mutual fund and the maturity and quality of fixed income securities held in the portfolio, in an effort to control risk. This policy will be reviewed periodically.

Conflicts of Interest

All investment activities and transactions shall be for the benefit of the NLI. Such activities and transactions shall adhere to the NLI Conflict of Interest Policy contained in the "Vendor Guidelines" (referenced above) and which is: "Members of the staff, Board of Trustees and committees shall not take advantage of their positions to profit financially from the actions of the Natural Land Institute and shall exercise care to prevent an actual or apparent conflict of interest. If the staff, Board of Trustees, or a committee is considering an action that would financially benefit a member, a member's relative or the member's business, that member must reveal the conflict and must refrain from both participation in the discussion and the vote on the action. The abstention of that member shall be noted in the minutes of the meeting."

Administrative

All investment assets of NLI will be held in the name of the Natural Land Institute. All transfers to and from accounts established to hold such assets shall only be under the direction of the NLI President, Treasurer, Executive Director or the Assistant Director and only into such accounts that have been approved by the Board. Such transfers may be

only made from NLI transaction accounts, or to NLI transaction accounts which are subject to NLI dual controls.

Investment assets may be held in an AmeriTrade account wherein purchases and sales may be transacted, and may be invested “Fund Direct”—which funds are subject to the requirements of this Investment Policy—and local bank deposit accounts as specified on page 2 of this Policy under Portfolio Composition Part 3, Money Market Investments.

The standards for the accounting of Investment Assets include the following:

1. All Investment Assets shall be accounted for as being “Available for Sale.”
2. At such time as the market value of an Investment Asset cannot be determined according to Policy, such asset shall be deemed “Impaired” and subsequently reported to the Treasurer, President and CEO for determination in consultation with the NLI Auditor, which shall be subsequently reported to the Finance Committee and the Board.

Specially Designated Funds

The Finance Committee has created a specially designated account to facilitate contributions to the endowment, which upon the specific request of the donors, are to be invested in a manner that does not promote degradation of the environment. The following “Green Endowment Guidelines” describe the purpose of this fund and how this segregated pool of assets will be overseen by the Finance Committee in accordance with this Investment Policy Statement.

Green Endowment Guidelines

Statement of Fiduciary Responsibility

We begin the Green Endowment investment policy by recognizing that our responsibility does not end with maximizing return and minimizing risk.

We believe that efforts to mitigate environmental degradation, and promote healthy communities will be successful to the extent that these concerns are brought from the margins to the center of investment decision-making.

We recognize that addressing such concerns while pursuing financial objectives is an imperfect process. However, we believe that the development of sustainable corporate practices and, through them, a healthier economy, depends upon the recognition of these concerns by management, directors, employees, and investors. Within our organization, this means reducing the dissonance between our overall mission and how our endowment assets are invested.

In furtherance of these beliefs, we have created a Green Endowment fund; a permanent endowment, which will be managed separately from our other investment assets, including our other endowment funds.

Green Endowment Investment Policy

All guidelines and objectives set forth in NLI's Investment Policy as adopted on April 14, 2011, shall apply to the Green Endowment, with the following exceptions:

Investment Screening

The purpose of the Green Endowment is to offer an alternative to donors who wish to ensure that their donations are not invested in companies whose actions and/or policies have adverse effects on the environment. In furtherance of this goal, all Green Endowment investments shall be subject to environmental screening in addition to traditional financial analysis. All Green Endowment investments must be deemed acceptable under both criteria in order to be included in the fund.

The impact of screening on financial returns is a subject of on-going analysis, both internally, with respect to the NLI's own investment performance, and externally, with respect to the green investment movement as a whole. The Finance Committee will continue to monitor, assess, and seek to improve its understanding of the relationships that may exist between financial returns and the impact of environmental screening on our mission.

The Finance Committee will monitor the performance of the Green Endowment's investments on a quarterly basis. Year-to-date and cumulative performance will be assessed in terms of the Green Endowment as against NLI's other investment funds, in comparison to the relevant indexes, including the Domini Social Equity Index. Other issues to be reviewed include adherence to the NLI's screens and values; transactions and transaction costs; market capitalization, portfolio balancing, and holdings overlap among accounts; and systematic risk (beta) and standard deviation (sigma) for each portfolio.

Environmental Screening Criteria

In evaluating the environmental suitability of an investment, the following characteristics should be considered, but not limited to:

- demonstrated Board and management commitment to environmental issues, including an environmental policy statement;
- demonstrated support for strong public environmental policies;
- environmental accountability to all stakeholders, including employees, consumers, and the communities in which they are located;
- a commitment to environmental justice;

- products, processes, and services that have a direct and positive environmental impact;
- efforts in the manufacture, processing or marketing of food that are consistent with sustainable agriculture;
- a record of regulatory compliance;
- a record of waste and toxic emission reduction toward a goal of zero emissions, including commitment to reuse and recycling;
- a commitment to sustainable use of natural resources;
- R & D funding for new processes and materials that minimize environmental impact.

We will not invest in companies:

- whose policies and/or practices have unreasonably negative environmental impacts.

Segregation of Green Endowment Assets

It is intended that NLI’s Green Endowment shall be a permanent endowment. Therefore, Green Endowment assets shall be custodied in a separate account established for the sole purpose of holding the Green Endowment assets. Green Endowment assets shall not be comingled with, or transferred into any other accounts, other than for normal income distributions or for other distributions authorized by the Board under the Endowment Fund policy.

APPROVED:

Natural Land Institute Board of Trustees

Signature

Date

Name (Print)

Title