



TEXAS A&M UNIVERSITY-KINGSVILLE FOUNDATION DISTRIBUTION POLICY

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1. Endowment distributions will be governed by the provisions of the Texas Uniform Prudent Management of Institutional Funds Act which became effective September 1, 2007. Texas UPMIFA permits prudent spending when the value of an endowment is below the original principal if there are no other restrictions and seeks to balance the perpetual nature of endowments with donor intent to use endowments for designated purposes.
2. The Foundation Board of Trustees approved an industry standard distribution rate as a means for the Investment Committee to make a recommendation to the Foundation Board of Trustees. The range was set between 4% and 5%. Final distribution amount will be reviewed and approved by the full Board.
3. The Foundation CEO will compile a schedule of funds eligible for distribution from all accounts for the next academic year for review at the last foundation board meeting for the year. The schedule must be approved by the Foundation Treasurer and reported to the Board of Trustees.
4. The spending amount for each endowed account eligible for distributions will be calculated by multiplying the distribution rate times the average of the balance in each such account for the previous twenty calendar quarters. The academic year endowment distribution amounts will be calculated using the 20 quarter period ending September 30th.
5. The Investment Committee will recommend an endowment distribution rate for the next academic year (beginning with the next year's Fall Semester) for approval by the Board of Trustees of the Foundation at the November board meeting.
6. Thirty days before the start of the Fall and Spring semesters each year, one half of the amount of authorized annual distribution from each eligible account will be deposited into the Foundation Special Items account. The Foundation CEO will disperse such funds to the University as appropriate within the guidelines for each account as requested by the University.
7. Unrestricted fund accounts will be excluded from the above procedures. Expenditures from these accounts will be made at the direction of the Board of Trustees of the Foundation.

8. Undistributed funds will be returned to investment pool 30 days after the beginning of each semester.
9. Newly created endowed funds must be invested for at least one calendar year prior to distributions being approved. Exceptions to this rule may be approved by the Foundation Board of Directors on the recommendation of the University President.
10. If an endowment fund does not have sufficient earnings to support a distribution based on the distribution rate approved by the Foundation Board of Trustees, the Foundation, in coordination with the University, may either (1) make a prudent distribution that year; (2) make no distribution; (3) contact the donor(s) and request a supplemental annual gift to replace or make up for the difference between any reduced scholarship award and the anticipated annual award.
11. Additionally, if an endowment contains restrictions that prevent distribution when the value of an endowment has fallen below its principal value, the Foundation may request in writing that the donor waive those restrictions or agree to release an amount equivalent to the decrease in value of their fund by signing an amendment modifying the original gift agreement. In the latter case, each fund would, as a result, be re-valued and future awards would be determined on the adjusted corpus value and the actual investment income earned on that amount. If a donor declines to waive restrictions, distributions will not be allowed from that endowment until there are sufficient positive earnings to do so.