

TEXAS A&M UNIVERSITY KINGSVILLE FOUNDATION, INC
INVESTMENT POLICY STATEMENT

Purpose

Texas A&M University-Kingsville Foundation (the Foundation) is an independent nonprofit corporation, qualified under section 501c(3) of the Internal Revenue Code of the United States for the purpose of supporting the mission of Texas A&M University-Kingsville. The Foundation assists the University in fund raising and accepts donations for the benefit of the University which it administers in accordance with agreements from donors. Such agreements empower the Foundation to invest these funds and, if the Foundation deems it appropriate, to engage professional investment advisors and investment managers in performing this function. The purpose of this Policy Statement is to clearly set out the delegation of authority over these investments as well as to state the objectives, guidelines and policies for such investments.

Delegation of Authority

This policy statement and any revisions to it must be approved by the Board of Trustees of the Foundation. The Foundation's By-Laws delegate the overall administration of its investments to its Investment Committee subject to this policy statement. The Investment Committee shall recommend to the Board of Trustees an Investment Advisor who when approved by the Board will act with the Investment Committee to implement the investment program including the hiring and or discharging of any investment managers. The Investment Committee shall be responsible for overseeing the activities of the Investment Advisor and reporting on same to the Board. The Investment Advisor shall also make periodic reports on the investments to the Board as requested.

General Investment Principals

The Foundation has combined the liquid assets of the accounts it holds into a Pooled Investment Fund to facilitate the investment of such assets. The Pooled Investment Fund (Fund) is to be held only in separate accounts owned by the Foundation unless approved in advance by the Trustees. The Trustee for such accounts must be approved by the Investment Committee. The Investment of the Fund will be directed by the Investment Advisor who may delegate portions of such funds to other investment managers. The Investment Advisor and any investment manager must agree that their activities will comply with all applicable laws, rules and regulations and this policy statement. The Fund will be invested with the care, skill, prudence and diligence under the circumstances then prevailing that a prudent investor acting in a like capacity and familiar with such matters would use in the investment of a fund of like character with like aims.

Investment Objectives

The principal investment objective of the Fund is to provide a total return on investment (net of fees) that exceeds by 500 basis points the five year rolling average of the annual calendar year consumer price index as published by the U.S. government with low volatility.

The investment direction should be to maximize returns consistent with moderate risk. The Foundation is cognizant of the fact that all asset types encompass the potential of variability in value through market cycles but expects that averaging return expectations over five years will allow managers time to adjust investment strategies to meet objectives.

The Investment Advisor in cooperation with the Investment Committee will develop a customized index to aid in the evaluation of the entire investment portfolio as well as individual managers based on the asset allocation during the measurement period.

Asset Allocation

The Foundation Trustees are dedicated to a broad diversification in asset types used for investments of the Fund as a primary tool to reduce risk. To implement such diversification the Board, with input from the Investment Committee and the Investment Advisor have developed the following asset class allocation guidelines which must be adhered to by the Investment Advisor:

The Fund will be invested in the following Asset Classes in amounts that are within the following percentages of the total fund:

ASSET CLASS	MINIMUM	MAXIMUM
International Equity	10%	25%
Domestic Equity	30%	70%
Fixed Income	15%	50%
Alternative Investments	5%	20%

From time to time the Investment Advisor, with consultation from the Investment Committee will set specific asset allocation targets for each asset class which are within the above ranges. These targets may contain sub categories (such as growth equity, large cap equity, etc.) and will be communicated to the Foundation Board and will serve as the basis for reallocation until such time as the targets are adjusted again under this procedure.

Should mutual funds become a part of this portfolio, the allocation of the fund or funds' assets will be reflected in the appropriate overall Fund asset class and not as a separate "mutual fund" category.

Reallocations and the initiation of new managers should be done as of the last day of a fiscal quarter whenever possible.

PERMITTED ASSET CLASSES

The following asset classes are the only investment classes permitted for the Fund:

Cash

Cash or cash equivalent investments may be used to provide current income, but their main purpose should be to store purchasing power when appropriate to fund longer term investments. Cash investments include negotiable certificates of deposit of banks insured by the FDIC which must not exceed the current maximum insured size, interest bearing money market funds of the highest quality, or short term interest bearing instruments with minimal or no risk which are immediately saleable.

Fixed Income

Fixed Income investments should be used to provide a highly predictable and dependable source of income and to reduce the volatility of the market value of the Fund as well as provide liquidity when needed for current operations. Allowable fixed income securities include government securities, government agencies, mortgage backed pass-through bonds, corporate bonds, taxable municipals and other asset backed securities as approved by the Investment Advisor and the Investment Committee. All fixed income securities must be rated at least BBB by Standard & Poor's or Baa2 by Moody's. An average rating of AA should be maintained. The average duration of all fixed income investments of the Fund should not exceed 10 years. All fixed income investments except foreign sovereign bonds which meet the rating standards above must be payable in U.S. dollars.

Some fixed income investments which do not meet the rating or duration standards above may be used by alternative asset managers so long as the total amount of such investment does not exceed 5% of the Fund balance.

Equities

Equity investments should be used to provide appreciation of principal as well as dividend income to the Fund with the recognition that this requires the assumption of greater market volatility and risk.

Securities should be chosen on a total return evaluation basis using a thorough analysis of safety, liquidity and reasonably expected returns. Domestic equities shall be chosen from the New York Stock Exchange, the American Stock Exchange, regional exchanges and the NASDAQ market. No letter stocks or privately held stocks are permitted.

International investments should be made in companies with American Depositary Receipts (ADR's) when possible. Direct purchase of international securities is permitted if such shares are listed on a recognized international exchange which provides immediate market values and liquidity and so long as the aggregate market value of such foreign denominated securities does not exceed 5% of the Fund balance at any time. Some privately held shares such as private equity is permitted by alternate asset managers so long as the aggregate does not exceed 5% of the Fund balance.

Preferred stocks and convertible securities are allowed when they offer a better risk/return expectation than conventional equities. Such securities must have a readily ascertainable market value and be rated at least A3 by Moody's Investor Service or A- by Standard & Poor's Corporation. For purposes of asset allocation for the Fund they will be considered equities.

Alternative Investments

Any investment by the Fund that is not cash, fixed income or conventional equity will be considered an alternative investment. The purpose of alternative investments for the Fund is to provide principal growth and income in ways that do not have a high historical correlation to conventional investments in cash, fixed income and conventional equity. Master limited partnerships or funds thereof, real estate investments through REITS, hedge funds and managed futures are alternative investments that are currently approved for the Fund.

Additional types of alternative investments may be made if recommended by the Investment Advisor and approved by the Investment Committee up to an amount less than or equal to 5% of the Fund balance at the time of investment. Any new types of alternative investments that exceed 5% of the Fund balance must be approved by the Board of Trustees.

INVESTMENT RESTRICTIONS

Investment restrictions include the following and shall be strictly adhered to unless specifically waived by a resolution of the Board of Trustees of the Foundation:

- **All investments must be U.S. dollar denominated except for certain equities and sovereign foreign bonds as delineated in Asset Classes**
- **Commercial paper must be rated P1 by Moody's or A1 or A2 by Standard & Poor's**
- **No more than 5% of the voting securities of any corporation may be owned**
- **No securities may be purchased on margin or leverage**
- **No short sale transactions, other than covered call writing except by approved hedge funds**
- **Transactions in financial futures are prohibited**
- **No more than 25% of the Fund may be invested in any one sector of the S&P 500 at market**
- **No more than 5% of the Fund shall be invested in securities (debt and equity) of any one company**
- **No privately held securities shall be included in the Fund except by approved alternative investment managers**
- **Option trading is prohibited except for covered calls or put hedges on a one to one ratio**

DISTRIBUTIONS

Distributions from the Fund will be made only in accordance with the Spending Policy of the Foundation except for distributions from unrestricted accounts which shall be approved by the Board of Trustees. Transfer of funds from restricted accounts to unrestricted accounts for payment of the administrative fees to the Foundation shall be made quarterly in accordance with Foundation policy.

GENERAL

This policy shall be reviewed yearly by the Investment Committee with the assistance of the Investment Advisor. Any required changes will be brought to the Board of Trustees for approval.

