

HSU ADVANCEMENT FOUNDATION
EARNINGS DISTRIBUTION POLICY AND PROCEDURES
APPROVED AT SEPTEMBER 30, 2011 BOARD MEETING
(REPLACES AND SUPERSEDES POLICY APPROVED ON NOVEMBER 13, 2009)

I. PURPOSE

In accordance with the Investment Policy, it is the HSU Advancement Foundation's (HSUAF) goal to distribute annually a target net return of 4.5% of the HSUAF's average total market value during the 12 quarters ending with the last quarter of the previous fiscal year. The actual net return rate will be approved annually by the HSUAF Board of Directors. Until there are 12 full quarters of history, the average total market value calculation will include as many quarters as possible. Earnings, described as realized and unrealized gains and losses, interest and dividend income, shall generally be available for distribution from those participant accounts invested for four (4) or more quarters. The actual distribution will occur in July based on the level recommended by the Finance Committee and must be approved annually by the HSUAF Board of Directors. Exceptions must be authorized by the HSUAF Executive Committee.

II. PROCEDURES TO IMPLEMENT EARNING DISTRIBUTION POLICY

- A. The Finance Committee will report to the Board of Directors the total earnings available for distribution in the next fiscal year based on the market value at the end of the fiscal year (E.g. The distribution amount for FY 2012/13 will be announced by November 2011 and based on earnings through June 30, 2011. The funds will then be distributed in July 2012). The Board will designate an annual retained earnings distribution rate in accordance with the Spending Policy provision of the Investment Policy and the Uniform Prudent Management of Institutional Funds Act (UPMIFA).
- B. Upon Board approval of the annual distribution rate, a letter will be sent to the project manager/principal investigator informing them of the amount available for their projects. The project manager/principal investigator is required to advise if their earnings are to be distributed to their working account or should stay in the HSUAF and continue to be invested. If a project manager/principal investigator does not respond to this request the funds will continue to be invested with the HSUAF. Notification is also sent to the office of Financial Aid advising them of the amount available for scholarships. A copy of this letter will also be sent to the appropriate project manager/principal investigator.
- C. Earnings will be forwarded to the appropriate account by July 31st.