



INVESTMENT AND SPENDING POLICY STATEMENT

I. STATEMENT OF PURPOSE

This policy is intended to establish guidelines for investment, management, payout, and administration of funds and property invested in the Texas Woman's University Foundation as well as assets held by the Foundation in trust for others.

The Texas Woman's University Foundation (hereinafter referred to as the "Foundation") is a non-profit corporation chartered under the laws of Texas and established in 1952. It is recognized by the Internal Revenue Service as a tax-exempt organization under Section 501 (c)(3) of the IRS Code of 1986 as amended. The Foundation encourages a program of benefactions to Texas Woman's University of Denton, Dallas and Houston, Texas, and provides an agency to receive and administer donations designed to increase, improve and extend the reputation, services, facilities, programs and welfare of Texas Woman's University.

This statement is set forth in order that:

1. There is a clear understanding on the part of the investment committee and the Board of Directors of the policies and objectives employed in the management of the Foundation's assets.
2. The investment committee and the Board of Directors have a basis for understanding the investment process and the evaluation of investment performance.

It is the intent of this statement to establish a philosophy to guide each investment manager toward the performance desired. It is intended that objectives be sufficiently specific to be meaningful, yet sufficiently flexible to be practical.

II. INVESTMENT COMMITTEE

The responsibility for investment and spending policy rests with the TWU Foundation Board of Directors. The Board shall select an Investment Committee (hereinafter referred to as the "Committee") comprised of no less than four members of the Board of Directors and the Treasurer of the Foundation. The Board of Directors believes that this responsibility is best discharged by delegating certain authority to the Committee and investment management firm selected to oversee endowment assets. The determination and selection of specific investments and securities will generally be delegated to the investment management firm selected by the Committee and approved by the Board of Directors. The investment management team must conform to the guidelines as described by this investment policy statement.

The Committee will review this Investment and Spending Policy Statement at least once per year.

The investment committee is responsible for selecting one or more investment managers to provide professional management of Foundation assets. The committee's selection is subject to an individual or firm who is established, financially sound and proven in managing funds consistent with the Foundation's goals. Every three years, the investment committee will oversee a Request for Proposal process to evaluate current and potential investment services firms.

III. OBJECTIVES

The Portfolio shall be invested in accordance with the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as enacted by the State of Texas September 1, 2007.

TWU Foundation Investment Objectives:

- The primary objective is to provide an income for the benefit of Texas Woman's University. Consistent with this objective, the Foundation should achieve an average 3.0% real rate of return (adjusted for inflation-CPI).
- The secondary objective is to increase the total value of the Foundation's investments over time, excluding growth derived from donations.

IV. ASSET ALLOCATION

The Foundation's investment asset allocation is the primary determinant of the portfolio's performance. Therefore, a long-term asset allocation plan, consistent with the Fund's investment objectives and performance goals will be maintained. The asset allocation plan should include:

- a balanced diversification between equity and fixed income investments
- selection of investment strategies based on a risk-adjusted basis as needed to meet the investment objectives of the portfolio

The portfolio shall be allocated across a number of investment classes to provide diversification and achieve the Fund's investment objectives. The following table defines the Fund's target asset allocation and ranges for each asset class.

Asset Class	Minimum Weight	Target Weight	Maximum Weight
Equity Securities (Total)	40%	70%	85%
Domestic	40%	60%	85%
International	0%	10%	15%
Fixed Income	15%	30%	60%
Cash	0%	0%	25%
*Totals will not add to 100%			

In the event that actual portfolio positions in asset classes or investment types move outside the ranges indicated due to market forces that shift relative to valuations, the Executive Director of the TWU Foundation or his/her designee will report to the investment committee and will work closely with the investment manager to rebalance portfolio positions to within policy ranges as soon as is practical. The purpose of rebalancing is to maintain the long-term asset allocation within the target ranges and to control portfolio risk. The portfolio will be evaluated quarterly by the Investment Committee.

V. INVESTMENT MANAGEMENT GUIDELINES AND RESTRICTIONS (Luther King)

Diversification

In order to achieve the stated objectives of preserving principal and providing income, the Foundation's assets should be invested in a diversified portfolio of fixed income and equity securities. Fixed income investments provide stability of principal and income. No investment shall be made that will cause the total investment in fixed income securities issued or guaranteed by any one person, firm or corporation to exceed 5% of the market value of the portfolio. This restriction shall not apply to either direct or indirect obligations of the U.S. Government and its fully guaranteed agencies.

The investment policies, guidelines and restrictions in this policy statement are a framework to help the Fund and its Investment Managers achieve the investment objectives at a level of risk deemed acceptable. The Fund will be diversified by asset class and with asset classes. Within each asset class, securities will be diversified among economic sector, industry, quality and size. No single security or class of securities or maturities thereof will have a disproportionate impact on the performance of the total fund. As a result, risk is reduced.

Approved securities include:

1. Securities traded on major U.S. Exchanges, including stocks, bonds, or other financial instruments not explicitly restricted by the guidelines presented in this document.
2. Securities and all types of securities that are either included in the respective Asset Class Benchmark or that will be added to the Benchmark as of the announcement date of their future inclusion.

3. Exchange traded funds (ETFs), mutual funds, closed-end funds, and commingled funds for equity investments, fixed-income investments, and alternative asset classes.
4. Securities issued by Federal Agencies that are backed with the explicit full faith and credit of the United States and Government Sponsored Entities.

Restrictions on Investments Include:

1. All investments must be U.S. dollar denominated.
2. Commercial paper must be rated in the highest quality class by Moody's Investor's Service, Inc. (P1) or Standard & Poor's Corporation (A1).
3. Principal amount of negotiable certificates of deposit shall be limited to FDIC insured limit.
4. Money market mutual funds that have a strong sponsor, invest in high credit quality short-term assets, and whose investment objective focuses on liquidity and preservation of capital.
5. Transactions in short sales are prohibited.
6. Not more than 5% of the voting securities of a corporation may be owned.
7. No securities may be purchased on margin or leverage.
8. Transactions in financial futures and options other than sales of covered stock options are prohibited.
9. No more than 25% of the portfolio shall be invested in any one industry at market.
10. No more than 10% of the portfolio shall be invested in the securities (including corporate debt and equities) of one corporation at market with each asset class (corporate debt, equities, etc.) limited to 5% each at market.
11. Corporate and municipal bonds and preferred stocks must be rated investment grade by one of the major rating agencies at time of purchase.

VI. PERFORMANCE MANAGEMENT AND REPORTING

Performance will be measured and evaluated quarterly. This review will relate to the performance objective, risk guidelines and the manager's investment philosophy.

The Investment Committee will review the following information with the investment managers on a quarterly basis:

1. Review the past, present and prospective economic climate in relation to investment strategy.
2. Provide documentation to allow the Investment Committee to understand the investment strategy used to fulfill the stated objectives.
3. Provide documentation to allow the Investment Committee to understand the risk levels of the securities represented in the portfolio.
4. Review trends in performance levels in relation to stated objectives.

5. Review the Foundation Investment and Spending policies, guidelines and objectives.

Performance of the equity component will be evaluated relative to that of the Standard & Poor's 500 Composite Index.

Performance of the fixed income component will be evaluated relative to that of the Bloomberg Barclays Intermediate Government/Credit Bond Index.

Performance of the international equity component will be evaluated relative to that of the MSCI All Country World Index ex USA.

All performance comparisons should also include returns provided by 3-Month U.S. Treasury Bills (risk-free investment) and the Consumer Price Index, All Items, U.S. City Average, All Urban Consumers (Base Year 1982-84=100), published by the United States Department of Labor, Bureau of Labor Statistics (as a measure of inflation).

Compensation Disclosure

At least annually, the external professional investment advisor must disclose all fees and income received both directly and indirectly relating to the management of the Foundation's assets. The fee disclosure should be presented in dollars. These fees should include, but are not limited to asset-based fees, commissions, rebates, subadvisement arrangements.

Fiduciary Standard

Any and all investment managers, advisors, subadvisors, consultants, or other parties working on behalf of the Foundation must act in a fiduciary capacity at all times. All actions and decisions made by the fiduciaries of the Foundation's Portfolio must be based solely in the best interest of the Portfolio. All fiduciaries must provide timely, full, and fair disclosure of all material facts regarding any potential conflicts of interest.

VII. AMENDMENT OF POLICY STATEMENT

Annually, the Committee will review this policy to determine its continued applicability. Any change to this policy statement will be submitted to the Foundation Board of Directors for approval.

VIII. SPENDING POLICY

The importance of private gifts to Texas Woman's University's future is increasing each year. Like other publicly supported universities in Texas, the margin of excellence in our activities is dependent upon endowment gifts. TWU must have adequate endowment resources to ensure the best faculty, to provide access to undergraduate and graduate education to an increasingly diverse student population, and to provide

the most responsive programs and services to meet Texas' economic needs. A growing endowment can transform an adequate university into one of the very best in the nation! The TWU Foundation is committed to doing all that it can to ensure, in perpetuity, a reliable and secure source of funds for TWU's programs and priorities.

For the purpose of distributing income, the Foundation shall utilize a total-return based spending policy. The Foundation will fund distributions from net investment income, net realized capital gains, and proceeds from the sale of investments. To support preservation of the corpus, the Foundation may distribute annually up to 5% of the trailing five-year average of the investment fund's total market value.

By March 1 of each year, the TWU Foundation Board of Directors will adopt a spending payout rate effective for the following academic year beginning September 1 through August 31. All foundation endowment accounts will follow the investment policy in effect regardless of the date of establishment. All other endowed or quasi-endowment accounts will follow investment and/or spending requirements as intended by the donor and as reflected in the specific endowment agreement.

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ADDENDUM 1

TWU Foundation Endowment Contribution Process

This addendum serves as a guideline for the transfer of assets from the TWU Foundation to its investment account.

The TWU Foundation aims to make quarterly contributions based on the Foundation's Fiscal Year into its investment account when possible.

The Foundation Accountant will provide the Executive Director of the Foundation with a detailed request to transfer funds quarterly.

TWU's Vice President of Finance and Administration and the Treasurer of The Board of Directors will jointly approve an amount to transfer to the TWU Foundation Investment Account. Upon approval, the funds will be transferred and information shared with the Investment Committee.

The Executive Director of the TWU Foundation may request special approval from the TWU's Vice President of Finance and Administration and the Treasurer of the Board to transfer large or unusual gifts to the investment account at any time.