Sul Ross State University utilizes the following administrative procedures in the processing and monitoring of its investment transactions:

A. The University’s Vice President for Finance and Operations serves as the investment officer for Sul Ross State University. All investment purchases and sales require written approval from the investment officer. In emergency situations when the investment officer is not available, alternate approval will be obtained from the TSUS Vice Chancellor for Finance.

B. Investments are monitored on a timely basis at least once a month. Cash balances held in the depository bank accounts are monitored on a daily basis by accounting personnel who then provide the information to investment personnel. The cash balances are evaluated as to investment needs.

C. Market conditions are monitored by investment personnel on a timely and periodic basis.

D. The selection of the appropriate investment instrument to meet the University’s investment needs is done by the investment officer. The subsequent related transactions and cash transfers require written approval by the Controller and the investment officer.

E. All investment transactions and cash transfers are prepared by investment personnel with the related banking transactions being made by the University Controller with the approval of the Vice President for Finance and Operations.

F. All investment transactions including transfers, purchases, sales, maturities and interest receipts are recorded on a timely basis but no less often than monthly. Separate entries for purchases, sales, and maturities are prepared for each investment.

G. Investment personnel maintain a subsidiary investment ledger and files for reconciliation with the Monthly Operating Report, Texpool statements, Securities Portfolio Reports, investment reports, and other broker/dealer statements. These reports are reconciled on a monthly basis.

H. Information needed for the quarterly investment reports is compiled by investment personnel and approved by the Vice President for Finance and Operations prior to submittal to Asset Strategy Consultants (TSUS consultant who prepares the investment reports) in accordance with the TSUS Investment Policy. AST will
then prepare the reports for review by the Vice President for Finance and Operation and final submittal to the Board of Regents.

I. Appropriate investment return benchmarks will be utilized in consultation with Asset Strategy Consultants.
Sul Ross State University maintains a strong system of internal controls in its financial systems. In addition, the following internal controls have been implemented in the processing and monitoring of all SRSU investment transactions:

A. The University adheres to the current Texas State University System Investment Policy approved by the Board. This policy is a system-wide policy with appendices prepared for individual member institutions.

B. The investment policy is reviewed and/or updated annually.

C. Except for certificates of deposit, all securities purchased by Sul Ross State University are held by a third party custodian in the name of the University. A safekeeping receipt is issued to the University listing the specific instrument, rate, maturity, safekeeping receipt number, and other pertinent information. A safekeeping receipt is issued to the University in the University’s name for certificates of deposit. These receipts are kept in fireproof cabinets.

D. All sales or purchases of securities require the written approval and signature of the investment officer.

E. Portfolio market values are evaluated on a periodic and timely basis but at least monthly to insure that the University is aware of any market changes.

F. The investment subsidiary ledger is reconciled on a monthly basis to the Monthly Operating Report, General Ledger, Texpool statements, investment reports, and other broker/dealer statements. These reconciliations are reviewed by accounting personnel on a regular basis and by the investment officer monthly.

G. A periodic reconciliation of income expected and received is prepared by investment and accounting personnel.

H. All wire transfers for the purchase of securities are performed by accounting personnel not involved in the decision process. These wire transfers are then confirmed in writing by at least two University officials.

I. The University’s investment processes and procedures are audited at least every two years by the Internal Auditor with an audit report presented to the Board.

J. All entries for each investment transaction require supporting documentation. The Investment Officer will review all market value documentation monthly.
APPENDIX C
SUL ROSS STATE UNIVERSITY
INVESTMENT STRATEGIES - ENDOWMENT FUNDS

I. GENERAL

Sul Ross State University (University) invests its endowment funds to provide funding for scholarships, fellowships, academic departmental excellence, and other uses as specified by donors. Investments of University Endowment funds shall be accomplished in accordance with the following principals:

A. There are two primary investment objectives. One is to provide a continuing and dependable cash flow, stable, and preferably growing in real terms, after giving effect to inflation. The second is to cause the total value of the funds to appreciate, over time, exclusive of growth derived from donations.

B. The cash flow requirement for endowment funds is significant and continuous. Income must be sufficient to provide an adequate cash flow to support the programs for which the endowments were created. In addition, the corpus of the accounts should appreciate in order to insure preservation of its purchasing power, and also to satisfy the need for future growth in payouts.

C. The endowment funds will be invested to meet these objectives, by maximizing returns consistent with an appropriate level of risk and subject to generation of adequate current income. Additionally, the investments shall be diversified at all times to provide reasonable assurance that investment in a single security, a class of securities, or industry will not have an excessive impact on the funds.

D. Quarterly performance reviews will be conducted with assistance from Asset Strategy Consultants.

II ASSET ALLOCATION

The overall objective of the endowment funds investment is to achieve a sensible balance of growth of corpus and consistent payout while maintaining the purchasing power of these endowments as can reasonably be achieved within the framework of the policy consistent with the objective of the safety and preservation of capital. The following guidelines will be used as a flexible framework for asset allocation (as measured at market value) over a 20-quarter moving time period. The equity allocation target and allowable range may be modified if market conditions warrant.

Type of securities target range:

<table>
<thead>
<tr>
<th>Type of Securities</th>
<th>Target</th>
<th>Allowable Range</th>
</tr>
</thead>
<tbody>
<tr>
<td>Domestic Equity</td>
<td>25%</td>
<td>20%-60%</td>
</tr>
<tr>
<td>International Equity</td>
<td>10%</td>
<td>0%-20%</td>
</tr>
</tbody>
</table>

(The Common Fund or similar mutual funds is the preferred vehicle for equity investment to provide SRSU the necessary flexibility and liquidity)
III. DISTRIBUTION OF INCOME

Distribution will be made monthly to the individual endowment funds (accounts) participating in the investment fund during the previous month. Income will consist of interest earnings, dividends, and realized capital gains. Unrealized gains may also be distributed monthly to allow a complete return analysis. Income will be disbursed based upon one of the following criteria:

A. If the endowment or trust agreement has specific directives for income distribution, these directives will be followed first.

B. In all other instances, the income will be distributed, net of fees, in an amount equal to the greater of 3 percent of the last 24 months rolling average endowment market value or the amount spent the previous fiscal year according to the following formula:

\[
\text{Monthly Income Distribution} = \text{Average ending market value of the previous 24 months} \times 3\% \div 12 \text{ or the amount spent the previous fiscal year, whichever is greater.}
\]

In cases of unusual returns, the distribution percentage may be modified and the reasons for such actions will be documented.