

**RESTATED AND AMENDED
MEMORANDUM OF AGREEMENT
BETWEEN
THE REGENTS OF THE UNIVERSITY OF NEW MEXICO
AND
THE UNIVERSITY OF NEW MEXICO FOUNDATION, INC.**

The Memorandum of Agreement made on the 11th day of March 1991, as previously amended April 30, 2008 and February 27, 2009 (the "MOA" or "Agreement") between the Regents of the University of New Mexico (the "University"), a public corporation of the State of New Mexico and the University of New Mexico Foundation, Inc. (the "Foundation"), a non-profit corporation created by the University for the sole purpose of soliciting, receiving and managing private voluntary support for the benefit of the University, is restated and amended this 25th day of September, 2012 as follows.

Recitals

WHEREAS, the University formally recognizes the Foundation as a separate corporate entity established for the sole purpose of soliciting, receiving, distributing and managing private gifts and donations given for the benefit of the University; and,

WHEREAS, the Foundation agrees that it will function as an interdependent entity with a close operational and fiscal relationship with the University through the University President and the academic leadership of the University; and,

WHEREAS, the University further recognizes that the Foundation provides the following services; 1) creates and encourages an opportunity for private individuals and organizations to invest in the support of University programs and services with the assurance that the benefits of these gifts and donations supplement state appropriations to the University; 2) provides a corporate structure for managing private gifts and donations, including endowments and income-producing properties, that do not jeopardize the University's tax-exempt status or create unrelated business tax obligations for the University; 3) provides added assurance to donors that their contributions will be distributed and utilized for the specified purposes; and, 4) provides a medium for alumni and community leaders to participate in and contribute to the strengthening of the University through their participation in the solicitation, management and distribution of private gifts and donations; and,

WHEREAS, it is understood by the University and the Foundation that all gifts and donations received by the Foundation are given for the benefit of the University and, therefore, shall be managed, distributed, and utilized in accordance with policies and procedures established by the University and the Foundation to assure accountability to the donor and to the public that supports the University; and,

WHEREAS, the University has determined that the Foundation shall be the primary organization for overseeing the development, coordination and implementation of the fund-raising activities for the University.

NOW, THEREFORE, it is agreed as follows:

FOUNDATION AGREEMENTS

1.0 ORGANIZATION AND OPERATIONS OF THE FOUNDATION

1.1 The Foundation shall operate according to its Articles of Incorporation filed June 4, 1979 and Bylaws, as amended on December 4, 2009 and as amended from time to time. The Foundation shall, at its next regularly scheduled Board of Trustees meeting, further amend its Bylaws to conform with the terms of this MOA.

1.2 The Foundation shall organize and operate in such a manner that will retain the Foundation's legal status as a tax-exempt, non-profit organization pursuant to section 501(c)(3) of the Internal Revenue Service Code, or any successor statute.

1.3 Involvement of the University in Foundation Governance

1.3.1 The President of the University will serve as a voting member of the Foundation's Board of Trustees, its Executive Committee and its Committee on Trustees.

1.3.2 The President of the University will appoint two Deans to serve as voting members of the Foundation's Board of Trustees.

1.3.3 A member of the University of New Mexico Board of Regents shall be included as a voting member of the Foundation's Board of Trustees; and,

1.3.4 No more that 25% of the Foundation's Board of Trustees may be employees, officers or Regents of the University.

1.4 The President of the Foundation is the chief executive officer and an employee of the Foundation. The Foundation recognizes a lead role of the President of the University in hiring, evaluating, compensating and terminating the President of the Foundation, and the President of the University must be included in all facets of the work of the President of the Foundation. The President of the Foundation shall report primarily to the President of the University and then to the Executive Committee of the Foundation. In concert with the President of the University, the Foundation will identify and provide an appropriate benefits package for the Foundation President and other senior leadership employees it hires, including but not limited to retirement, deferred compensation, and health, dental, vision, disability, and life insurance.

1.5 The Foundation will hire and oversee advancement staff to provide solicitation, consultation and other related fundraising, fund management and administrative support to maximize private gifts and donations from various sources to the Foundation for the benefit of the University.

1.6 The Foundation shall not solicit or accept gifts, grants, conveyances, devices, bequests or otherwise from any source for a use specified by the donor which is inconsistent with the University's goals and policies.

- 1.7 The Foundation will maintain policies and procedures for the review and acceptance of gifts and donations. The acceptance of any gift or donation that requires a matching obligation of the University or creates a future obligation of University resources must first be approved by the University's Chief Financial Officer in accordance with any applicable university policies.
- 1.8 The Foundation agrees to establish and maintain a record of all gifts and donations to the University and affiliated organizations.
- 1.9 The Foundation will not engage in any instructional, research or public service activity sponsored, or participated in, by a University department or individual employee, without prior approval of the President of the University.
- 1.10 The Foundation shall, at all times, maintain adequate insurance coverage, including Trustee and officers' liability insurance, property and casualty insurance appropriate to cover property held and managed by the Foundation for the benefit of either the Foundation or the University.

2.0 MANAGEMENT OF GIFTS AND DONATIONS

- 2.1 The Foundation agrees to appoint an Investment Committee, which committee is hereby designated by the Board of Regents of the University as the investment advisory committee required by Section 21-1-38B(1)(b), NMSA 1978. Pursuant to Section 21-1-38.B (2), the University hereby delegates to the Foundation, acting through its Investment Committee, the authority to manage the investments of both the University funds and Foundation funds placed in the Consolidated Investment Fund ("CIF"). The Consolidated Investment Fund shall be managed in accordance with the Consolidated Investment Fund Endowment Investment Management Policy ("CIF Policy"), as developed, approved and amended by the Foundation and the Board of Regents from time to time, as required by Section 21-1-38.B(1)(c). A current copy of the CIF Policy is attached hereto and incorporated herein as Exhibit A, and any subsequently modified and approved versions shall be similarly incorporated herein.
- 2.2 The Investment Committee will conform to the requirements of the Uniform Investment Act (NMSA 1978 §45-7-611), the Uniform Prudent Management of Institutional Funds Act (NMSA 1978 §46-9-2), and other laws governing the management of the University and its funds.
 - 2.2.1 The Investment Committee shall, at least quarterly, select and review the performance of investment managers in the context of predetermined performance standards and shall periodically review and adjust the allocation of funds within various investment categories.
 - 2.2.2 Annually, the Investment Committee will review the CIF Policy and recommend revisions, if any, to the Foundation Board of Trustees and the University Board of Regents.

2.2.3 The Investment Committee shall be deemed to have met its fiduciary and other legal responsibilities to the University Board of Regents and the Foundation so long as it acts in conformity with the provisions of this Section 2.0 and the CIF Policy.

2.3 The University Board of Regents retains the authority to remove some or all of the University's funds from the CIF and to change or revoke this delegation of responsibility to the Foundation. Any withdrawals from the CIF shall be made on a prorated, unitized basis.

2.4 In addition to the endowments currently held or received in the future in the name of the University or the Foundation, the Foundation also agrees to be the custodian and manager of any endowments received by any University-affiliated organization. The Foundation shall not co-mingle the funds of such endowments but may co-invest such endowments under the CIF Policy.

3.0 DISTRIBUTION AND EXPENDITURE OF FUNDS

3.1 The University Controller and the Foundation Chief Financial Officer will establish procedures to transfer funds between the University and the Foundation as required by this Agreement.

3.2 No gift funds will be disbursed directly through the Foundation account(s), either in the form of compensation to a University employee or for the purchase of goods and services for any unit of the University or University-affiliated organization, unless specifically approved by the University President or his/her designee. The expenditure of gift funds for the benefit of any unit of the University or University-affiliated organization will be disbursed through the University's general ledger system.

3.3 To assure that the donor directive on the use of the gift is followed when disbursed through the University's general ledger system, the Foundation will be responsible for providing the University the appropriate information on donor-directed gift restrictions.

3.4 All funds that are transferred from the Foundation to a University spending account are subject to all state laws and regulations governing the disbursement and administration of public funds. Private donations and grants made to the Foundation, or made to the University through the Foundation, shall not be considered public funds until dispersed to a University spending account.

4.0 REPORTS AND ACCOUNTING

4.1 The Foundation will work with the President of the University to develop a strategic plan to identify information and reports that are needed by various constituencies. At a minimum, the Foundation shall provide the University with an annual report that will include a summary of all gifts and donations received and held or distributed during the past year, the performance of the investment management program and the Foundation's operating income and expenses for the fiscal year.

4.2 The Foundation shall provide the University with the report of an annual audit performed by an independent certified public accounting firm selected by the Foundation. Any

independent certified public accounting firm selected by the Foundation that is not the same firm selected by the University must agree to provide the necessary audit information for the University to be able to comply with any federally mandated "single audit" report.

- 4.3 The Foundation agrees to provide any information regarding operations of the Foundation to the University's internal audit staff upon formal request to the Foundation's Executive Committee.

UNIVERSITY AGREEMENTS

5.0 UNIVERSITY PRIORITIES AND LONG RANGE OBJECTIVES

- 5.1 The University agrees that the Foundation will be responsible for the development, implementation and oversight of the University's primary fund-raising activities.
- 5.2 In recognition of the philanthropic and investment services provided by the Foundation and to maximize the Foundation's ability to match fund-raising activities with priority needs, the University agrees to provide a clear statement of fund-raising priorities and long range academic objectives. In addition, the University agrees to involve the Foundation as the University continues to develop planning goals.
- 5.3 The University President will appoint a Dean's Council to work with the Foundation leadership to implement appropriate fundraising strategies.
- 5.4 The University will revise the job descriptions and evaluation forms for all Deans to include fundraising and fundraising metrics.

6.0 BUDGET AND FINANCIAL SUPPORT

- 6.1 University staff assigned to the Foundation to carry out development functions shall continue to be governed by the policies, procedures, practices and employment privileges of the University.
- 6.2 The University commits to provide revenue sufficient to allow the Foundation to fund its operations and to grow the fundraising efforts to meet mutually identified strategic needs of the University. Exhibit B contains the multi-year fiscal commitment of the University to provide financial resources necessary to fund the operations of the Foundation.

7.0 UNIVERSITY SUPPORT SERVICES

- 7.1 The University grants the Foundation a non-exclusive license to use the name "The University of New Mexico" and any other trademarks of the University in connection with its fund-raising activities. The Foundation agrees to abide by all the University's trademark requirements.
- 7.2 The University shall cooperate with the Foundation in the development of its fund-raising programs and campaigns, including providing information, data, plans, speakers, facilities for meetings on the University campus and such other materials and services as

may reasonably be necessary for the successful conduct of fund-raising programs and campaigns. The University, as it deems appropriate and as resources are available, may provide additional financial support to the Foundation for major fund-raising campaigns.

8.0 UNIVERSITY COMPLIANCE WITH GIFT RESTRICTIONS

- 8.1 The University agrees to assume the responsibility of monitoring the expenditures or income disbursements from both non-endowed gift accounts and endowed spending accounts to ensure that any and all donor-imposed restrictions are maintained.
- 8.2 The Department of Internal Audit will periodically audit the University's compliance with such restrictions.

JOINT AGREEMENTS

9.0 OPERATIONAL CONSIDERATIONS

- 9.1 The Foundation and the University agree that, at all times and for all purposes of this Agreement, the Foundation as an entity, in the performance of this Agreement and other activities to be undertaken by the Foundation, shall act in an independent, separate legal capacity and not as an agent of the University. Within the limits and restrictions of the New Mexico Tort Claims Act, Sect. 41-4-1 et. seq. NMSA 1978, each party agrees to be responsible for its own negligent acts or omissions which may occur during the performance of this Agreement and which result in claims by individuals or entities not parties to this Agreement.
- 9.2 It is mutually understood and agreed any alteration or variation of the terms of the Foundation's Articles of Incorporation or the Bylaws of the Foundation, which affect the ability of the Foundation to carry out its responsibilities under this Agreement shall be submitted for approval of the Board of Regents of the University.

All official notices required under this agreement shall be given as follows:

Notice to University: University President
 Scholes Hall
 University of New Mexico
 Albuquerque, NM 87131-3001

Notice to Foundation: President
 University of New Mexico Foundation, Inc.
 700 Lomas Blvd. NE Suite 108
 University of New Mexico
 Albuquerque, NM 87131

- 9.3 The Foundation will take appropriate steps to ensure that it does not discriminate against any person because of race, religion, national origin, color, gender, veteran status or sexual orientation. The Foundation will put in place a complaint, investigation and resolution process that meets the requirements established by state and federal law and that will take prompt steps to remedy any discrimination that is found to have occurred.

9.4 This Agreement will be governed by the law of the state of New Mexico.

9.5 No amendment to this Agreement shall be valid unless made in writing and signed by both Parties. No oral understandings or agreements not incorporated herein, and no alterations or variations of the terms hereof, unless made in writing between both Parties, shall be binding on either of the Parties.

10.0 TERMINATION

10.1 This Agreement may be terminated by either party effective upon written notice to the other party at least sixty (60) days in advance thereof. If for any reason this Agreement is terminated, or the Foundation is dissolved, liquidated, or ceases to be a 501(c)(3) organization, all accounts of the Foundation shall be transferred to the University or a successor organization(s) designated by a resolution of the Board of Regents on or before the date of termination. In such event, the University or other successor organization will honor to the maximum extent possible the instructions of donors to the Foundation.

IN WITNESS HEREOF, the parties hereto have caused this Agreement to be executed.

THE UNIVERSITY OF NEW MEXICO FOUNDATION, INC.

By: [Signature]
Chairman of the Board of Trustees

10/1/12
date

By: [Signature]
Secretary of the Board of Trustees

10/1/12
date

THE REGENTS OF THE UNIVERSITY OF NEW MEXICO

By: [Signature]
President of the Board of Regents

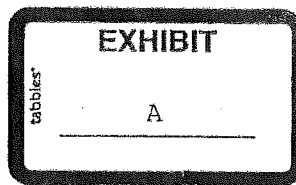
10/12/2012
date

By: [Signature]
Secretary of the Board of Regents

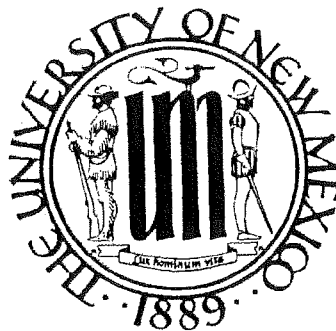
10/12/12
date

This Agreement was approved at a regularly called meeting of the Board of Directors of the University of New Mexico Foundation held on September 25, 2012 by a vote of 14 in favor and 0 opposed.

This Agreement was approved at a regularly called meeting of the Board of Regents of the University of New Mexico held on September 11, 2012 by a vote of 7 in favor and 0 opposed.



CONSOLIDATED INVESTMENT FUND INVESTMENT POLICY



THE UNIVERSITY of
NEW MEXICO
FOUNDATION

THE UNIVERSITY OF NEW MEXICO

THE UNIVERSITY OF NEW MEXICO FOUNDATION, INC.

Revisions:

1989 September
1992 February
1995 March
1997 February
1999 September
2001 May
2002 June
2003 October
2004 May
2005 October
2010 July

CONSOLIDATED INVESTMENT FUND POLICY STATEMENT

In accordance with Sections 21-1-38.B(1)(b) and 21-1-38.B(2), New Mexico Statutes Annotated 1978, the University of New Mexico Board of Regents (the "Board of Regents") has designated the University of New Mexico Foundation Investment Committee (the "Investment Committee") to act as the official Advisory Committee to oversee and manage the investment of both the University of New Mexico (the "University")'s and the University of New Mexico Foundation, Inc. (the "Foundation")'s endowment funds. The combined endowment assets of the University and the Foundation are known as the Consolidated Investment Fund (the "CIF"). The Investment Committee will apply the standards of conduct described in Sections 6-8-10 and 46-9A-1 through 46-9-12, NMSA 1978, in managing the CIF, subject to the standards set forth herein.

In accepting this responsibility, the Investment Committee agrees to follow the Consolidated Investment Fund Investment Policy (the "Policy"), which has been approved by the Board of Regents pursuant to Section 21-1-38.B(1)(c), NMSA 1978 and the Investment Committee of the Board of Trustees of the Foundation.

The Policy is to be effective July 1, 2010 and supersedes all previous versions.

The Policy governs the investment of gifts and donations to the University or the Foundation in the form of endowments, as well as quasi-endowments established by the Board of Regents, with long-term benefit objectives. All common endowment and quasi-endowment funds of the University and the Foundation will be managed through the CIF. Participants in the CIF will receive units in the pooled fund. At all times the Policy shall recognize and implement all legally enforceable restrictions and directions that may have been placed on gifts by donors and the Policy shall comply with all applicable laws and shall be changed as necessary to comply with changes in applicable law or legal advice.

INVESTMENT PHILOSOPHY

The CIF has a long-term investment horizon, and allocates its assets accordingly. It is recognized that a strategic long-term asset allocation plan implemented in a consistent and disciplined manner along with the long and short-term needs of the University in carrying out its educational mission will be the major determinant of the CIF's investment performance.

The assets will be managed on a total return basis. The Policy also recognizes the importance of preservation of capital. It is appropriate to consider alternative investment strategies if such strategies are in the CIF's best interest on a risk-adjusted basis and are consistent with sufficient liquidity and investment risks that are prudent and reasonable, given the prevailing capital market conditions.

Risk management of the investment program is focused on understanding both the investment and operational risks to which the CIF is exposed. The objective is to minimize operational risks and realize an appropriate return for the investment risks that the Investment Committee is willing to accept.

INVESTMENT OBJECTIVES AND POLICIES

Return Goal: The long-term objective of the CIF is to earn a return sufficient to preserve the purchasing power of the CIF for generations to come, as well as to provide for current needs. As a result, the goal is to achieve an annual total return, net of management and custodial fees, that equals or exceeds the annual Spending Distribution, the annual Development Funding Allocation and inflation as measured by the U.S. Department of Labor All Urban Consumer Price Index "CPI-U".

Return Measurement: To achieve the Return Goal, the CIF assets will be invested to generate a total return consisting of market appreciation and depreciation and/or dividend and interest income. While there cannot be complete assurance that the Return Goal will be realized, it is believed that the likelihood of realization is enhanced by diversifying the assets of the CIF. Over time, the Policy will aim to achieve the Return Goal while maintaining acceptable risk levels. To accomplish this goal, the CIF will diversify assets among several asset classes. The following objectives are designed to support achievement of the Return Goal and are net of (after) investment expense:

- Total CIF assets should achieve an annualized nominal rate of return equal to or greater than that of the Return Goal.
- In general, active managers will be expected to provide returns greater than their appropriate benchmark, net of fees, while utilizing acceptable risk levels, over rolling thirty-six month periods. In contrast, passive managers will be expected to provide returns nearly identical to the appropriate benchmark, before reasonable fees, with no more volatility than the benchmark.

Preservation of Capital: Consistent with their respective investment styles and philosophies, investment managers shall make reasonable efforts to preserve capital, understanding that losses may occur in individual securities.

Cash Reserves: In accordance with the CIF's long-term investment horizon, a fully invested position should be maintained for the overall portfolio with minimal, but sufficient cash reserves to meet all current spending and capital calls.

Risk: It is important that risk is defined so that the assets are managed in a manner consistent with investment objectives and strategies. The policy defines risk as:

- Overall Investment Risk - the probability of not maintaining purchasing power over the CIF's investment time horizon, net of spending and investment expenses.
- Operational Risk - the potential of loss arising from deficiencies in internal controls, human errors, physical systems failures and other business execution risks.
- Cash Flow Risk - the probability of not achieving the CIF's short term cash flow requirements.
- Compliance Risk - non-compliance with applicable State of New Mexico statutes concerning the investment of public funds.
- Interest Rate Risk - the potential for fluctuations in bond prices due to changes in interest rates and/or a duration/liability mismatch.
- Credit Risk - the possibility that a bond issuer will fail to make timely payment of either interest or principal to the portfolio.
- Reinvestment Risk - the possibility that the proceeds of a maturing or called security will be reinvested at lower yields as a result of a general interest rate decline in the bond market.

- **Liquidity Risk** - the possibility that the liquidity of the market for a security may decline thereby making it more difficult to dispose of the security promptly; presenting difficulties in valuation of the security; or causing the security to experience greater price volatility.

Asset Allocation: Asset allocation is the single most important decision which affects the CIF. Investment research has determined that a significant portion of a portfolio's investment behavior can be attributed to (1) the asset classes/styles which are employed by the portfolio, and (2) the weighting of each asset class/style. Given its importance, the asset allocation will be reviewed at least quarterly and revised as necessary.

- The asset allocation shall be determined taking into consideration a comprehensive allocation study completed by the Investment Consultant and taking into consideration the asset allocations of peer institutions as published in the NACUBO-Commonfund Study of Endowments.
- The asset allocation shall be designed to give balance to the overall structure of the investment program over a long-term horizon.
- Asset allocation decisions will not be based on market timing. However, some factors may impact the policy allocation, thereby requiring an asset allocation review and possible rebalancing. Some of these factors include a change in the assessment of the intermediate and long-term outlook for different types of asset classes and styles or divergence in the performance of the different asset classes and styles.
- In consultation with the Investment Consultant, specific target asset allocations may be established by the Investment Committee within the minimum and maximum ranges of the Policy to address current economic and/or market conditions.

Assets shall be invested within the following maximum and minimum ranges for each asset class:

Percent of Total Assets

Asset Class	Minimum	Maximum
Domestic Equity ¹	10%	50%
International Equity ¹	10%	40%
Fixed Income/Cash	10%	50%
Illiquid Real Assets ²	0%	0%
Private Equity ²	0%	0%
Marketable Alternatives	5%	20%

¹ The combined maximum allocation to domestic and international equities shall not exceed 70% at any point in time.

² The Policy's intent is to allow for no new commitments to either Illiquid Real Assets or Private Equity which will result in no allocation to either asset class in the long term as these investments mature. However, the Policy recognizes that existing commitments to these asset classes will require additional "capital calls" in the short-term.

Portfolio Rebalancing: It is desirable to rebalance the CIF's holdings periodically to minimize deviations from the Policy's asset allocation mix. The Investment Consultant shall inform the Investment Committee at the close of any quarter in which rebalancing the CIF is necessary. The Investment Committee shall review and approve any rebalancing actions and the Investment Consultant shall assist as needed in implementing such actions.

Manager Concentration Limits: All actively managed accounts shall be limited to no more than 5% of total assets.

Spending Distribution: The Policy aims to distribute on an annual basis a percentage, established as discussed below, of the average market value of the CIF at the calendar year-end of the previous 20 quarters (the "Spending Distribution"). The Spending Distribution shall not exceed 6% nor be less than 4% of the average market value. The Policy allows for the Spending Distribution regardless of whether the fair market value of an individual account exceeds its historic gift value, unless otherwise precluded by the donor or by law. This practice is consistent with the Uniform Prudent Management of Institutional Funds Act, and recognizes that not spending from an endowment is likely to be contrary to a donor's intent to provide current benefits for the designated purpose. The Investment Committee shall establish at its first meeting of each calendar year the Spending Distribution to be used for the current fiscal year. The Investment Committee shall strive to maintain a Spending Distribution which achieves intergenerational equity, so today's beneficiaries do not unfairly benefit at the expense of future beneficiaries. In addition to considering this Policy and the objectives as stated above, the Investment Committee shall consider, if relevant, the following items in their annual deliberations to determine a reasonable Spending Distribution:

- The net rate of return earned by the CIF in each of the five most recent fiscal years.
- The net real (after adjusting for inflation as measured by the CPI-U) rate of return earned by the CIF in each of the five most recent fiscal years.
- Payout rates established by other university endowments as published in the NACUBO-Commonfund Study of Endowments.
- Other resources available to University and any unusual or extraordinary circumstances impacting these resources (tuition revenues, State appropriations, etc.).
- The extent to which programs benefiting from the Spending Distribution rely on these funds to achieve their goals and objectives.
- Recommendations from the CFO.
- The Spending Distribution in effect at the time of deliberations.
- General economic conditions.
- The possible effect of inflation or deflation.
- The expected total return of the CIF per the most recent asset allocation study.

Development Funding Allocation (the "DFA"): The Board of Regents and the Board of Trustees have agreed that a fair and reasonable uniform basis point fee applicable to all endowment accounts is an appropriate means to assist the operations of the Foundation. The DFA does not provide support for any direct costs of investing and administering the CIF, such as investment consultant fees, custodial fees and investment manager fees. These costs are assigned directly to the CIF. The DFA is subject to review and approval by the Board of Trustees and the Board of Regents annually and at other intervals as required by the Board of Regents.

The following items shall be considered in establishing a reasonable DFA:

- Any external costs including the Investment Consultant, custodian, and investment manager fees of managing the CIF.
- The internal (i.e., accounting, fund raising, information systems, gift administration) costs to raise funds for, manage the assets of and provide stewardship for the CIF.
- Cost Recovery Fee rates established by other university endowments if published in the NACUBO-Commonfund Study of Endowments.
- Recommendations from the CFO.
- The Development Funding Allocation in effect at the time of deliberations.
- The impact on the Spending Distribution.

AUTHORITY AND RESPONSIBILITY

University of New Mexico Board of Regents

The Board of Regents shall review the performance of the Investment Committee and the CIF at least annually. The Board of Regents shall approve annually, along with the Board of Trustees:

- The Investment Policy and any changes thereto.
- The Development Funding Allocation.
- The Investment Consultant and its fees.

University of New Mexico Foundation Board of Trustees

In accordance with the bylaws of the Foundation, the Board of Trustees shall appoint an Investment Committee. The Board of Trustees shall approve, along with the Board of Regents:

- The Investment Policy and any changes thereto.
- The Development Funding Allocation.
- The Investment Consultant and its fees.

The Investment Committee

The Investment Committee has fiduciary responsibility for directing and monitoring the investment of the CIF, and is authorized to retain and solicit recommendations of qualified professionals including the CFO, Investment Consultant and Investment Managers.

The Investment Committee's responsibilities include:

- Recommending an Investment Consultant and the contract.
- Selecting an Investment Custodian and approving the contract.
- Approving investment products for inclusion in the CIF portfolios.
- Monitoring the CIF investments for compliance with all laws, rules and regulations, including but not limited to the Management of Charitable Funds Act as implemented by the State of New Mexico from time to time.

- Developing an investment policy for approval by the Board of Trustees to include an asset allocation model taking into consideration the appropriate rates of return and risk for each asset class.
- Reviewing performance at both the manager and portfolio level on a periodic basis and, if necessary, instructing the CFO and/or the Investment Consultant to conduct additional due diligence on any investment manager/product.
- Rebalancing the CIF in accordance with the asset allocation ranges.
- Providing regular reports to the Board of Trustees and to the Board of Regents at their regularly scheduled meetings, including recommendations with respect to any suggested changes in investment policies.

The Chief Financial Officer

The CFO serves as an advisor to the Investment Committee, and shall assist the Investment Committee as needed in carrying out their responsibilities noted above. Additional responsibilities of the CFO include:

- Implementing Investment Committee decisions as directed.
- Working directly with the Investment Consultant as needed.
- Preparing an annual report on the CIF, including performance and allocation information important to the donor community.
- Coordinating agenda items with the Investment Committee Chair and scheduling meetings of the Investment Committee such that all important matters are brought to the Committee's attention in a timely fashion.
- Reviewing and executing, in consultation with legal counsel, all offering documents for new investment products approved by the Investment Committee.
- Providing the Investment Committee with reports comparing investment performance and asset allocation with the NACUBO-Commonfund Study of Endowments.

The Investment Consultant

The Investment Consultant is responsible for providing advice to the Investment Committee as follows:

- Reviewing the asset allocation as appropriate and no less than annually.
- Monitoring the portfolios to ensure that assets remain within the designated ranges as specified in the asset allocation models, and recommending appropriate actions to address situations outside the designated ranges.
- Providing written comments and recommendations on the Policy as needed, but on no less than an annual basis.
- Assisting in selecting, monitoring, and replacing investment managers and products.
- Recommending appropriate benchmarks and peer groups with which to monitor selected investment managers.
- Providing written quarterly reports no less than quarterly to the Investment Committee on investment products and managers, including departures of key personnel, style drift, changes in investment process and any other matter requiring the Investment Committee's attention including a recommendation that an investment manager be retained or terminated.

- Disclosing any fee relationships with investment managers, advertisers, placement agents or other providers of service for the CIF.
- Presenting reports to the Board of Regents and the Board of Trustees as needed.
- Reviewing all offering documents for new investment products prior to submission to the CFO for signature.

The Investment Managers

Investment managers shall:

- Act as responsible fiduciaries in all matters involving their management of CIF assets and comply with all applicable laws, rules and regulations.
- Report all activity to the CFO and Investment Consultant on a timely basis as agreed, but in no event will such report be provided on less than a quarterly basis. Such reports shall include a comparison of performance with the agreed-upon benchmark, and might include details about the holdings and strategies of the applicable product.
- Vote, or cause to be voted, all proxies on securities held by the CIF.
- Provide CFO with copies of audited financial statements covering the investment product in a timely manner.
- Make presentations to the Investment Committee when and as requested.
- Maintain a strict adherence to the mandate under which they were engaged.
- Provide CFO and Investment Consultant with a written report within five business days of the following matters: (a) change in ownership or legal entity status; (b) change in key personnel, including a change in anyone on the product portfolio management team; (c) change in investment philosophy or style; (d) civil or criminal charges filed against the firm by a regulator.
- Disclose any fee relationship with the investment consultant, advertisers, placement agents or other providers of service for the CIF.

The Investment Custodian:

The Investment Custodian shall:

- Provide monthly reports detailing investment holdings and account transactions within 15 business days following the end of each month and an annual report summarizing the following within 15 business days following each fiscal year end.
- Establish and maintain an account(s) for each Investment Manager of the portfolio as requested by the CFO.
- Provide all normal custodial functions including security safekeeping, collection of income, settlement of trades, collection of proceeds of maturing securities, daily investment of uninvested cash, etc., effect trades, if applicable, manage securities lending program, if applicable.
- Prepare additional accounting reports as requested by the CFO or Investment Consultant.

PERFORMANCE MEASUREMENT AND REPORTING

Performance Measurement

The performance of the CIF will be reviewed at least annually to determine the continued feasibility of achieving the investment objectives and the appropriateness of the investment policy for achieving these objectives. In consideration of the CIF's goals and objectives, several standards will be utilized in evaluating investment performance as opposed to a single measure. These standards reflect several aspects of investment performance, including the specific objectives and the market indices used to measure the performance of individual Managers.

- **TOTAL FUND PERFORMANCE:** The Investment Committee expects the total assets under management to perform in the upper quartile of an acceptable comparable peer universe, over a market cycle or a three to five year period if shorter.
- **ASSET CLASS LEVEL PERFORMANCE:** Each asset class approved by the Investment Committee will have an intermediate term benchmark that is investable and a longer term benchmark that represents the investment objective in that asset class's inclusion in the portfolio.
- **INVESTMENT MANAGER PERFORMANCE:** Each Investment Manager's performance should compare favorably over comparable periods to that of other Investment Managers of a like style and discipline. The Investment Managers shall have discretion to invest a portion of the assets in cash reserves when they deem it appropriate. However, the Investment Managers will be evaluated against their peers and their predetermined benchmarks on the performance of the total funds under their direct management.

Conflict of Interest

All persons responsible for investment decisions or who are involved in the management of the Foundation or who are consulting to, or providing any advice whatsoever to the Investment Committee, shall disclose in writing at the beginning of any discussion or consideration by the Investment Committee, any relationships, material beneficial ownership, or other material interest(s) which the person has or may reasonably be expected to have, with respect to any investment issue under consideration. The Investment Committee will require such persons to remove themselves from the decision-making process.

Any members of the Investment Committee responsible for investment decisions or who are involved in the management of the Foundation shall refuse any remuneration, commission, gift, favor, service or benefit that might influence them in the discharge of their duties, except as disclosed in writing to and agreed upon in writing by the Investment Committee. The intent of this provision is to eliminate conflicts of interest between committee membership and the Foundation. Failure to disclose any material benefit shall be grounds for immediate removal from the Investment Committee. This provision shall not preclude the payment of ordinary fees and expenses to the Foundation's custodian(s), Investment Managers, or Investment Consultant in the course of their services on behalf of the Foundation.



THE UNIVERSITY of
NEW MEXICO

EXHIBIT

B

The University of New Mexico Foundation
FY 2013 & 2014 Budgets

	FY 2012/13 Original Budget	FY 2012/13 Proposed Revised Budget	FY 2013/14 Proposed Budget
REVENUES			
Reserve Balance Forward	-	-	49,529
Development Funding Allocation (DFA)			
DFA @ 185 bps (excl. Woodward)	5,300,675	5,300,675	5,300,675
DFA Reduction to 140 bps (excl. Woodward)	-	-	(1,289,353)
DFA @ 185 bps (Woodward)	661,500	661,500	-
DFA Reduction to 90 bps (Woodward)	-	(339,689)	-
DFA @ 90 bps (Woodward)	-	-	321,811
Short-Term Investment Income	850,000	850,000	850,000
Other Revenues & Transfers	150,000	150,000	150,000
Existing Cost-Share Agreements (HSC & Athletics)	660,780	660,780	660,780
Existing Cost-Share Agreements (Main Campus)	600,000	-	-
Existing Cost-Share (Fringe Benefits)	150,000	-	-
University One-Time Funds (Main Campus)	600,000	450,000	150,000
University One-Time Funds (Fringe Benefits)	150,000	-	-
<i>Foundation Surcharge (All Campuses) *</i>	-	2,459,000	4,918,000
Use of Foundation Reserves	481,973	-	-
Total Revenues	9,604,928	10,192,266	11,111,441
EXPENDITURES			
Salaries & Benefits			
Current Foundation Staff	7,685,062	7,685,062	7,685,062
Merit and/or COLA Increase - 2.0%	-	-	153,701
Additional Foundation Staff (FY13-April Hire)			
Regional Dev. Officer - High Cost Location (2 FTE)	-	104,250	417,000
Regional Dev. Officer - Mid Cost Location (2 FTE)	-	88,125	352,500
Dev. Officers - Schools of Med. & Engr. (2 FTE)	-	18,000	72,000
Research Manager - Albuquerque Office	-	17,738	70,950
Staff Support - Albuquerque Office	-	11,288	45,150
Operational Expenses	1,651,591	1,650,000	1,700,000
Office Space Rent	268,275	268,275	268,275
Data Records Upgrade (One-Time Funds)	-	300,000	300,000
Total Expenditures	9,604,928	10,142,737	11,064,638
PROJECTED RESERVE	-	49,529	46,803

* UNM Funding based on a 25bps charge against UNM departments in FY13, and an additional 25bps charge against UNM departments in FY14