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### Reports

**President, Student Government Association**
1. Student forum February 16, 1994

**Chair, Faculty Senate**
1. SFA 98
2. Admission Standards

**Vice President, Business Affairs**
1. Monthly financial Statement
2. HVAC system in North/South Dorms
3. Computer Center

**Vice President, University Advancement**
1. Corporate Grants
2. Hoops for Scholars
3. National Merit Finalists

**President**
1. Financial Aid
2. Coordinating Board Formula
3. Riders
4. Modified Hiring Freeze
5. East Texas Study
6. SPRE
7. Pom Pon and Cheerleading Competition
8. Budget
9. April Board meeting dates
10. July meeting
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Executive Session
   A. Report on Pending Litigation
   B. Personnel Matters
      1. Football Coaches
   C. Security
      1. Austin Building

Appendices

   HEAF Five Year Plan
   Quasi-Endowment from Cheerleading Camp Revenue
   Endowment Funds Investment Policy Statement
The meeting was called to order at 9:05 a.m. by Chair Sissy Austin.

93-120
Upon motion of Regent Blake, seconded by Regent Adkison, with all members voting aye, it was ordered that the minutes of October 19, 1993, November 16, 1993, and December 17, 1993 (corrected) be approved.

93-121
Upon motion of Regent Bagsby, seconded by Regent Shaw, with all members voting aye, it was ordered that the following changes of status be approved.

1. Elementary Education

Dr. Mary Ella Lowe, Professor, an additional $1,000 for teaching an overload course for the fall semester, 1993.

Mr. Darryl L. Morris, Instructor, an additional $2,000 for teaching an overload course for the fall semester, 1993.

2. Forestry

Dr. W. Thomas McGrath, Associate Professor, an additional $1,878.50 for teaching an overload course for the fall semester, 1993.

3. Music

Ms. Helen R. Blackburn, Instructor, an additional $1,750 for teaching an overload course for the fall semester, 1993.

4. Political Science and Geography

Dr. Darrel Lee McDonald, Assistant Professor, an additional $2,000 for teaching an overload course for the fall semester, 1993.

5. Secondary Education

Dr. Sandra K. McCune, Associate Professor, an additional $1,000 for teaching an overload course for the fall semester, 1993.

Dr. Donnya Stephens, Professor, an additional $1,000 for teaching an overload course for the fall semester, 1993.

Dr. Sherry L. Rulfs, Associate Professor, an additional $1,000 for teaching an overload course for the fall semester, 1993.
Ms. Paulette D. Wright, Lecturer, an additional $1,000 for teaching an overload course for the fall semester, 1993.

93-122
Upon motion of Regent Shaw, seconded by Regent Blake, with all members voting aye, it was ordered that the following appointments be approved:

1. Counseling and Special Educational Programs

Dr. Margaret Irwin, Associate Professor, Ph.D. (University of Oklahoma), at a salary of $36,000 for nine months, effective spring semester, 1994.

Mr. Angel Ramos, Assistant Professor, M.A. (California State University at Northridge), at a salary of $32,500 for nine months, effective spring semester, 1994.

2. University Affairs

Mr. John A. Pearce, Head Football Coach, at a salary of $72,600 for twelve months and a general expense supplement of $200 per month, effective January 1, 1994 through January 31, 1996.

Mr. Eddie Brister, Assistant Coach and Instructor of Kinesiology, at an annual salary of $44,629 for 10.5 months, effective January 1, 1994 through January 31, 1995.

Mr. Eugene Chizik, Jr., Assistant Coach and Instructor of Kinesiology, at an annual salary of $33,854 for 10.5 months, effective January 1, 1994 through January 31, 1995.

Mr. Denzil Cox, Assistant Coach and Instructor of Kinesiology, at an annual salary of $39,935 for 10.5 months, effective January 1, 1994 through January 31, 1995.

Mr. David Hughes, Assistant Coach and Instructor of Kinesiology, at an annual salary of $44,629 for 10.5 months, effective January 1, 1994 through January 31, 1995.

Mr. Gregory Knox, Assistant Coach and Instructor of Kinesiology, at an annual salary of $33,709 for 10.5 months, effective January 1, 1994 through January 31, 1995.

Mr. Robert McFarland, Assistant Coach and Instructor of Kinesiology, at an annual salary of $39,169 for 10.5 months, effective January 1, 1994 through January 31, 1995.

3. Business Affairs

Mr. Michael Jennings, Director of Administrative Computing, at a salary of $70,000 for 100% time, effective January 3, 1994.

Mr. David McFarland, Assistant Controller, at a salary of $32,000 for 100% time, effective October 25, 1993.
93-123
Upon motion of Regent Bagsby, seconded by Regent Shaw, with all members voting aye, it was ordered that the following individuals be granted promotion to the academic rank indicated, effective spring semester, 1994.

To Assistant Professor:

Dr. William E. Johnson, Kinesiology
Dr. Darryl L. Morris, Secondary Education

93-124
Upon motion of Regent Windham, seconded by Regent Blake, with all members voting aye, it was ordered that the following leaves of absence be granted.

1. Forestry

Dr. Thomas W. McGrath, Associate Professor, to pursue additional training in the preparation of a herbarium collection at the University of Montana, effective spring semester, 1994 to December 31, 1994.

2. Psychology

Dr. Verna L. Barron, Associate Professor, for medical reasons, effective spring semester, 1994 to May 18, 1994.

93-125
Upon motion of Regent Montes, seconded by Regent Windham, with all members voting aye, it was ordered that the Board Chair be authorized to approve the Underenrolled Class Report for the spring semester, 1994.

93-126
Upon motion of Regent Windham, seconded by Regent Bagsby, with all members voting aye, it was ordered that the Board Chair be authorized to approve the Twelfth Class Day Report for the spring semester, 1994.

93-127
Upon motion of Regent Bagsby, seconded by Regent Montes, with all members voting aye, it was ordered that the Last Class Day Report for the fall semester, 1993, be approved.

93-128
Upon motion of Regent Montes, seconded by Regent Blake, with all members voting aye, it was ordered that the Biennial Operating Plan for computing and telecommunications be approved for submission to the Department of Information Resources.

93-129
Upon motion of Regent Blake, seconded by Regent Windham, with all members voting aye, it was ordered that the administration be authorized to proceed with acquisition of a new Library computer system from the Dynix Marquis Company, and necessary work stations, at a cost not to exceed $499,500 and that the President be authorized to sign necessary purchase documents.
Upon motion of Regent Shaw, seconded by Regent Blake, with all members voting aye, it was ordered that authorization be given to purchase a new road bus at a cost not to exceed $247,943 and that the President be authorized to sign the purchase contract.

Upon motion of Regent Montes, seconded by Regent Bagsby, with all members voting aye, it was ordered that authorization be given to secure bids for the purchase of an automated collator not to exceed $55,000 and that the President be authorized to sign the necessary purchase documents.

Upon motion of Regent Shaw, seconded by Regent Windham, with all members voting aye, it was ordered that the following bids for the telecommunications switch and cabling system upgrade be accepted as follows and that the President be authorized to sign the necessary purchase documents:

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<thead>
<tr>
<th>Vendor</th>
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<td>NECPBX system upgrade</td>
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<tr>
<td>AMCOM Software</td>
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<td>Southwestern Bell</td>
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<td>Total</td>
<td>$787,025.94</td>
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</table>

Upon motion of Regent Montes, seconded by Regent Blake, with all members voting aye, it was ordered that the five-year plan for allocation of HEAF funds be approved as presented. (See Appendix No. 1.)

Upon motion of Regent Bagsby, seconded by Regent Shaw, with all members voting aye, it was ordered that authorization be given for the establishment of the June Irwin Ladyjack Managers Quasi-Endowment with an initial sum of $100,000 to be increased at the discretion of the Director of the Ladyjack Cheerleading Camp as funds are available for the purpose of funding scholarships for managers of women's athletic teams according to the stipulations provided in Appendix No. 2 and that the Fall semester of 1994 be the effective date for the first stipend awards.

Upon motion of Regent Adkison, seconded by Regent Montes, with all members voting aye, it was ordered that authorization be given to purchase a point of sale system for the University Bookstore from Sequoia Peripherals Inc. at a cost not to exceed $118,000 and that the President be authorized to sign the necessary purchase documents.

Upon motion of Regent Windham, seconded by Regent Adkison, with all members voting aye, it was ordered that Aetna Life Insurance and Annuity Company, USAA Life Insurance Company, Fidelity Investments and Merrill Lynch Asset Management, Incorporated be authorized as additional ORP carriers for qualified University employees, effective immediately.

Upon motion of Regent Windham, seconded by Regent Shaw, with all members voting aye, it was ordered that the revised version of the Endowment Funds Investment Policy Statement be approved as included in Appendix No. 3.
Upon motion of Regent Blake, seconded by Regent Adkison, with all members voting aye, it was ordered that the following persons be authorized to sign vouchers and checks, (two signatures required) for the fiscal year ending August 31, 1994.

Dr. Dan Angel, President
Mr. Charles O. Hardy, Vice President for Business Affairs
Mr. David D. Stanley, Controller
Mr. David McFarland, Assistant Controller
Mr. Danny R. Gallant, Director of Financial Services
Ms. Shelly Lackey, Manager, Accounting and Operations

It is further recommended that the following persons be authorized to sign vouchers for the purchase of library books and other holdings for the fiscal year ending August 31, 1994.

Mr. Al Cage, Director of Libraries
Ms. Ann Chandler, Associate Library Director for Information Services
Ms. Stacy MacLea, Administrative Secretary
Ms. Donna Barton, Assistant to the Director of Libraries
Ms. Peggy Wedgeworth, Associate Library Director for Technical and Automated Services.

Upon motion of Regent Adkison, seconded by Regent Montes, with all members voting aye, it was ordered that authorization be given to correct HVAC problems in the Griffith Art Gallery for an amount not to exceed $18,000 and that the President be authorized to sign the necessary purchase documents.

Upon motion of Regent Blake, seconded by Regent Shaw, with all members voting aye, it was ordered that the final draft of SFA 98 be approved as amended, printed and distributed.

Regent Windham requested a report at the July meeting on the time table for developing goals and objectives to achieve the SFA 98 plan.

Reports presented from:

A. Student Government Association President, Ms. Kim Edge
   • Announced student forum on February 16 at 2:00 p.m. in Liberal Arts and invited Board to attend

B. Faculty Senate Chair, Dr. Suzy Weems
   • Expressed appreciation for the opportunity for input at December 17 meeting and the less formal exchange of dialogue and offering ideas for SFA 98; noted that many of their comments are included
   • Admission standards were discussed in lengthy meeting in November by Dr. Staples
     a) minority enrollment - how it would be affected
     b) ease of interpretation and clarification of intent
     c) financial aid
     d) registration process
   • Faculty evaluations
   • Evaluation of administration
• Financial issues - faculty salaries should reflect the importance of teaching as the major thrust of SFA; eager to cooperate in producing top quality students.

C. Vice President for Business Affairs, Mr. Charles Hardy
• Reviewed sample format for revision of monthly financial statement; seeking input from Board on revision.
• Distributed handout on projected costs of HVAC renovation in North/South halls.
• Discussed new leadership in Computer Center - all

D. Vice President for University Advancement, Dr. Jerry Holbert
• Distributed handout reflecting $262,080 in corporate grants in 4.5 months, as a direct result of cooperation between grants office and advancement
• Hoops for Scholars - February 19 during Sam Houston game; funds to be used to attract National Merit Finalists to SFA

Regent Austin presented a request from Regent Kelley for review at April Board meeting: comparison of athletic and academic scholarships
  a) how many athletic and how many academic
  b) amount of each
  c) compare to sister institutions

E. President, Dr. Dan Angel
• Financial Aid - Dr. Staples discussed changes implemented in financial aid
• Formula recommended by Coordinating Board - Dr. Angel discussed the debate over method of allocating HEAF funds
• Discussed impact of legislative riders. Last August did not know full impact of all riders; SFA will be affected by three of the "unknown" five riders; will lose an additional $300,000 this year and approximately same next year; to address the short fall this year which equals approximately $300,000--implementing modified freeze: all vacant positions will be sent to the President from Personnel; one-on-one review to determine essential need; President and Vice Presidents will review criteria in determining need will be savings; expect to accomplish $300,000 saving over next six months.
• East Texas Study - initiated by Senator Ratliff; six-member steering committee; expect to hire consulting firm to conduct study; SFA will be paying pro rata share estimated at $8,000 to $10,000; hope to achieve as much as was done in the South Texas study; indication is that the completed study will assist in securing more money.
• SPRE (State Post Secondary Review Entity) considers institution's default rate on student loans; includes 15 evaluation criteria and provides for review of other aspects of institution; Dr. Angel is on committee; waiting on federal guidelines. SFA default rate is less than 10%.
• National championships for Pom Pon Squad and Cheerleaders
• Budget to be approved at April Board meeting
• April 25 and 26 - next meeting dates.
• July meeting - would like to have a retreat environment, off campus
# Projection of HEAF Projects

**Stephen F. Austin State University**

**Projection of HEAF Projects**

**For Fiscal Years 1994 - 1998**

**As of January 10, 1994**

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Stephen F. Austin State University

Quasi-Endowment Established from Cheerleading Camp Revenue

Submitted to the Board of Regents for approval January 25, 1993.

**Purpose:**

To fund scholarships for managers of women's athletic teams.

**Criteria:**

1. The June Irwin Ladyjack Managers Quasi-Endowment Account shall be established through the transfer of $100,000 from account number 2024, Ladyjack Cheerleading Camp, with the first scholarship stipends to be awarded for fall semester of 1994.

2. The Director of the Ladyjack Cheerleading Camp shall be named as the account manager and shall have authority to add funds to the endowment as funds are available in the camp operations account.

3. Appropriate annual earnings defined as the spending rate in the University's Endowment Funds Investment Policy Statement shall be equally distributed between managers of women's athletic teams, one manager per team; one manager serving two or more teams shall be considered for one stipend only.

4. Recipients shall be registered for no less than twelve (12) semester credit hours per semester.

5. Recipients shall maintain at least a 2.0 cumulative GPA.

6. Recipients shall be selected by the head coach of each team.

7. The scholarship stipend shall be in addition to any student wages earned as a team manager.
STEPHEN F. AUSTIN STATE UNIVERSITY
ENDOWMENT FUNDS

INVESTMENT POLICY STATEMENT

JANUARY, 1994
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I. History and Function, Purpose, Responsibilities
II. Investment Policy
III. Investment Policy Guidelines
IV. Investment Objectives
V. Administrative and Review Procedures
I. History and Function, Purpose, Responsibilities

History and Function

The Stephen F. Austin State University ("SFA") Endowment funds are funds given to the University by individuals and institutions for the following purpose:

- to promote, encourage and advance education; and
- to improve the degree and non-degree educational functions by establishing scholarships and professorships at SFA.

Separate fund balance accounts are maintained for unrestricted funds and for each restricted fund. Funds are restricted either by the donor or the Board of Regents. Restricted funds are available primarily for specific purposes considered beneficial to SFA, its students and faculty.

The investment of the Endowment funds is governed by the Revised Civil Statutes of the State Of Texas, Article 842a-2, Paragraph 51.0031. This paragraph states that SFA "may establish endowment funds that operate as trusts and are managed under prudent person standards."

Purpose

The purpose of this Investment Policy Statement ("IPS") is to clearly and concisely state the responsibilities of all parties involved with the Endowment funds, the Investment Policy, the Investment Policy Guidelines, the Investment Objectives and the Administrative and Review Procedures that will be followed in implementing the IPS.

This IPS will assist the Board of Regents ("Board") and the Finance Committee ("Committee") in more effectively communicating with and monitoring the various Investment Manager(s) ("Manager") that will be engaged from time to time to manage the Endowment assets of SFA. It states the Committee's attitudes, guidelines and objectives in the investment of the Endowment assets.

Responsibilities

Responsibilities of SFA:

SFA is comprised of the Board of Regents and the University Administration. SFA recognizes its responsibility to insure that the assets of the Endowment funds are managed:

- for the exclusive benefit of SFA in accordance with its donors intentions,
- effectively and prudently, in full compliance with all applicable laws.

SFA acknowledges that the ultimate responsibility for satisfactory investment results rests with the Board. The Board believes that this responsibility is best discharged by delegating certain responsibilities to the SFA administration and by appointing one or more investment management
organizations to assume certain responsibilities. Upon advice of the Investment Management Consultant the Vice President for Business Affairs will recommend Investment Managers with whom the Board may contract for the management of SFA Endowment funds based on the guidelines in the IPS as approved by the Board of Regents. Specific authority is hereby granted to the Board Finance Committee to review and approve the contracts with Investment Managers on an interim basis. Said interim contracts with Investment Managers must be subsequently reviewed and approved by the Board of Regents at its next scheduled meeting.

The specific responsibilities of SFA in the investment process include and are limited to:

- developing a sound and consistent investment policy,
- developing sound and consistent investment policy guidelines,
- establishing reasonable investment objectives,
- allocating the Endowment assets between the Investment Manager(s) managing equity and fixed-income portfolio(s), and other investment mediums which it may deem appropriate and prudent,
- communicating clearly the major duties and responsibilities of those accountable for investing the Endowment assets and achieving investment results,
- monitoring and evaluating performance results to assure that policy guidelines are being adhered to and that objectives are being met,
- taking timely corrective action with regard to a Manager for failure to perform as mutually expected, including the interim replacement of the Manager with the review and approval of the Board Finance Committee, and subsequent review and approval by the Board of Regents, and
- abiding within all applicable laws, including conflict of interest provisions therein.

**Responsibilities of the Investment Managers:**

- The assets of the Endowment funds allocated to each Investment Manager are to be managed in accordance with the Investment Policy Guidelines and the Investment Policy expressed herein, or expressed by written instructions by authorized individuals.

- The Manager(s) is expected to exercise complete investment discretion over the assets it is allocated. Such discretion includes decisions to buy, sell or hold equities or fixed income securities (including cash and cash equivalents) in amounts and proportions reflective of that Manager's investment philosophy and in accordance with the Investment Policy Guidelines and Investment Policy of this IPS.

- It is expected that the assets of SFA allocated to the Manager(s) will be invested with care, skill, prudence and diligence under the circumstances then prevailing that a "prudent man", acting in a like capacity and familiar with such matters, would use in the conduct of an enterprise of a like character and with such aims.
The Committee has the right to vote all Proxies of the securities held in the Fund's accounts. It may delegate this right to the Manager(s) at its discretion.

The Investment Manager(s) is responsible for frequent and open communication with the Committee on all significant matters pertaining to investment policies and the management of the Endowment assets including, but not necessarily limited to:

- major changes in the Manager's investment outlook, investment strategy and portfolio structure;
- furnishing the Committee and the Investment Management Consultants ("IMC") a quarterly ADV, as changes occur at the Manager;
- any significant changes in the ownership, organization structure, financial conditions, or senior personnel staffing or organization;
- notices of transaction activity;
- quarterly performance and valuation reports to coincide with calendar quarters or at such other times as the Committee may reasonably request.

All documents, exhibits, written materials, etc. which will be used during the periodic conferences between the Committee and the Manager(s) must be submitted to and received by the Committee at least five (5) business days in advance of these conferences. This will be coordinated by the Investment Management Consultant.

- The Investment Manager(s) will insure that duplicate confirmations are provided to the Committee and the IMC by any broker that executes transactions for the Endowment funds.
- The Investment Manager(s) will insure that monthly statements are provided to the Committee and the IMC by any broker that executes transactions for the Endowment funds.

Each investment Manager is expected:

- to be covered by liability and fiduciary insurance, and
- to have its employees bonded unless otherwise exempted by law or governmental regulation.

**Responsibilities of the Investment Management Consultant ("IMC"):**

- The IMC will provide the following services to SFA:

  - Investment Policy Planning - When needed the IMC will conduct a comprehensive review of the existing Investment Policy Statement (IPS) and will assist in writing/rewriting the IPS to update, amend or restructure the IPS in accordance with the Committee's objectives.
Manager Search - The Committee will from time to time select Investment Managers for the sole convenience of SFA. The IMC will assist to identify, interview and select Managers that in the Committee's view are qualified to have discretionary investment authority over Endowment funds to make investments in government bonds, corporate bonds, debentures and notes, preferred and common stocks, guaranteed interest contracts, money market instruments and other investments identified in the IPS.

Performance Measurement - The IMC will on a quarterly basis provide the Committee a Quarterly Performance Measurement Report. This report will measure the investment return on designated funds that are managed by Managers chosen by the Committee.

The IMC will provide other services that will be mutually agreed to.

The IMC will coordinate all activities with the Managers on a continual basis and with the Custodian of the Endowment assets.

The IMC will meet with the Committee on a quarterly basis to review the Endowment fund's performance, to report on compliance by the Managers and Custodian with the IPS, and any other important matter.

II. Investment Policy

The Committee believes that the Endowment assets should be managed in a way that reflects the statements which follow:

- The Committee adheres to the traditional capital market pricing theory which maintains that over the long term, the risk of owning equities should be rewarded with a somewhat greater return than available from fixed-income investments.

- Avoiding large risks is preferred. The Committee is willing to trade off some potential opportunities for gain from high risk investments (with high loss potential) by encouraging the investment Manager(s) to assume a moderate-risk posture in order to have a more stable positive return. This may result in sacrificing some potential opportunities for gain during rising markets in order to avoid large short term declines in market value during falling markets.

- Since SFA is adverse to large downward fluctuations in the value of its account balances resulting from volatile market value fluctuations, such year-to-year volatility should be minimized.

- Asset Allocation between asset categories; bonds, stocks and cash/cash equivalents; will be decided by the Managers for the funds that they manage. The Committee will consider adjusting the amounts of funds that each Manager has to manage on an ongoing basis. It will confer with the Manager and the IMC to make its decision. The IMC will make available to the Committee various asset allocation models to assist in this process. The Committee will use these models at its discretion.
The Committee will determine what style of investment philosophy it desires from the Managers it hires. Managers will be chosen from a universe of Managers that consistently apply the desired styles.

**Manager Characteristics:**

The Managers, whether they be existing or new Managers of the Endowment assets, must have the following characteristics:

- At least ten years of supportable performance track record. Exceptions may be made at the discretion of the Committee.
- No years with negative return performance over the last ten years. Exceptions may be made at the discretion of the Committee.
- Consistency of key personnel within the organization. The people that are making the decisions today must be the ones that built the track record.
- No past or pending sale of the firm by the principals.
- Demonstrated good performance in down quarters and "bear" markets.
- Demonstrated desire and capability to effectively communicate with the Committee.
- The ability to accommodate new business without disruption to the investment process.
- A low turnover of clients. The Manager must show that it does not lose clients because of actions by the Manager.
- Prior experience with comparable funds.
- Internal checks and balances to assure consistent investment discipline is maintained.
- Maximum variance of 2% over one year period between the return of the Endowment assets and the Manager's composite published performance.
- The Manager must have at least $100,000,000 under management.
- The Manager should not have a Standard Deviation or Beta greater than the average of his Peer Group over the last five and ten years.
- The Manager must have a clearly distinguishable investment philosophy and process, including a "sell discipline".
- The Manager must have defined parameters for diversification within the portfolio he manages.
- The Manager must be a Registered Investment Advisor with the Securities and Exchange Commission, or a bank or insurance company.
- The Manager must either offer a commingled fund or be willing to create a separate account with a minimum that is acceptable.
- No history of legal or regulatory actions taken against it.
- Accounts should be managed on a team basis.

III. Investment Policy Guidelines

Equity Guidelines:
- The following are prohibited transactions or assets:
  - Commodity trading including all future contracts
  - Purchasing of letter stock
  - Short selling
  - Option trading
  - Margin
  - Common stocks of foreign companies trading on foreign exchanges.
- The following categories of securities are permissible investments:
  - U.S. common stock
  - U.S. preferred stock
  - U.S. securities convertible into common stocks
  - Common stocks of foreign companies listed on the major U.S. securities exchanges (NYSE, AMEX, National OTC)
  - Cash or cash equivalents
- No more than five percent (5%) of the portfolio (including convertible securities) can be invested in any one company. This will be measured on a cost basis. No more than ten percent (10%) of the portfolio can be invested at any time in one company based on the market value of the stock and portfolio.
- No more than fifteen percent (15%) of the portfolio can be invested in any one industry based on the cost value of the portfolio. No more than thirty percent (30%) of the portfolio can be invested in any one industry based on the market value of the portfolio.
- The holdings do not have to be invested in industry groups that represent a cross-section of the economy.
- All of the equities purchased for the portfolio (based at market value) should have a minimum market capitalization of $250 million.

- The maximum average Beta allowed is 1.00 over a time frame of one year or longer and will be specified according to the equity style of the Manager. That is to say that the price volatility of the Fund cannot exceed the volatility of the S&P 500. The Beta measures the relative price risk of the portfolio versus the market.

- The R-Squared may be as high as 100% over a time frame of one year or longer if all investment objectives are met. R-Squared is a statistical evaluation to measure similarity in behavior of the portfolio to the market (S&P 500).

- The annualized Alpha should be greater than the Manager's fee essentially showing that value is being added for the risk taken. Alpha measures the excess return for the amount of risk taken.

- Portfolio turnover will be monitored. If the performance results of the portfolio meet the objectives stated herein, the rate of turnover in the portfolio will not be an evaluative factor.

- Cash reserves should be invested in interest bearing securities, free of risk of loss, price fluctuation and have immediate liquidity. Cash reserves will include U.S. Treasury Bills.

- It is the function of the Manager to allocate the assets of the portfolio among types of equities. It is the philosophy of the Committee however, that the asset mix should be, maximum equity 100%, minimum equity 0%, maximum cash 100%, minimum cash 0%.

- Convertible and preferred securities shall be included with common stocks for purposes of asset allocation.

**Fixed Income Guidelines:**

- The following categories of bonds are permissible investments:
  
  - Debt securities issued or guaranteed by the United States Government, its agencies or instrumentalities
  
  - Corporate bonds, debentures and other forms of corporate debt obligations
  
  - Commercial Paper rated A1 or P1 only
  
  - Certificates of deposit or bankers acceptances of U.S. banks, but only in amounts of $100,000 or less insured by FDIC or FSLIC

- The following are prohibited transactions or assets:
  
  - Foreign debt securities
- Direct real estate mortgages or commingled funds
- Private placements
- Tax-exempt debt of state and local governments
- Debt securities with a Moody's Standard & Poor's or Fitch rating of lower than AA3 Rated

- The liquidity of the portfolio should be enhanced through purchases of highly marketable securities.

- Holdings should be reasonably diversified to the extent it is prudent to do so without requiring the investment Manager to purchase lots less than $100,000 face value.

- The maturities of one year or greater retained in the portfolio should be of an original issue size in excess of $100 million.

- Portfolio turnover is justified if it can be documented that the portfolio has been "upgraded" as a result of the activity. "Upgraded" means reduced risk and/or increased return without adding risk.

- It is the function of the Manager to allocate the assets of portfolio among types of bonds. It is the philosophy of the Committee, however, that the asset mix should be, maximum U.S. government bonds 100%, minimum government bonds 0%, maximum corporate bonds 50%, minimum corporate bonds 0%, maximum cash 100%, minimum cash 0%.

- Cash reserves should be invested in interest bearing securities, free of risk of loss, price fluctuation and have immediate liquidity. Cash reserves will include U.S. Treasury Bills.

**Total Endowment Guidelines:**

- The Allowable Range and Target Asset Allocation for the Endowment funds is:

<table>
<thead>
<tr>
<th>Class</th>
<th>Allowable Range</th>
<th>Target</th>
</tr>
</thead>
<tbody>
<tr>
<td>Domestic Equities</td>
<td>0%-60%</td>
<td>45%</td>
</tr>
<tr>
<td>Domestic Bonds</td>
<td>0%-70%</td>
<td>50%</td>
</tr>
<tr>
<td>Cash/Cash Equivalents</td>
<td>0%-100%</td>
<td>5%</td>
</tr>
</tbody>
</table>

**Investment Transactions:**

- All transactions are to be governed by all applicable laws and regulations.
IV. Investment Objectives

The primary long-term financial objective for the Endowment funds is to preserve the real (inflation-adjusted) purchasing power of endowment assets and income after accounting for endowment spending, inflation, and costs of portfolio management. Performance of the overall Endowment funds against this objective is measured over rolling periods of at least ten years which should encompass several market cycles.

The primary long-term investment objective of SFA is to earn a total rate of return that exceeds the spending rate plus the rate of inflation plus the costs of managing the investment fund. If the spending rate averages 5.00%, the rate of inflation averages 5.00%, and the investment management expense averages 1.00%, then nominal total return should equal or exceed 11.00% per year. Performance against this objective should be measured over rolling periods of at least ten years.

SFA will set yield (spendable income) guidelines for the Managers at the beginning of each fiscal year. In total, the Managers should produce sufficient income to satisfy the spending policy of SFA.

SFA has established an Endowment spending policy which attempts to balance the long-term objective of maintaining the purchasing power to the Endowment funds with the goal of providing a reasonable, predictable, stable, and sustainable level of income to support current needs. As a general rule, a long-term objective of SFA spending at a rate of approximately 5.00% of the Endowment funds market value seems prudent and sustainable. Spending may be derived from Total Return (including interest, dividends and appreciation) net of portfolio management fees. This "Spending Rate" will be reviewed no less frequently than annually and may be adjusted by the Board of Regents.

The medium-term objective for the Endowment funds is to outperform each of the capital markets in which assets are invested, measured over rolling periods of three to five years or complete market cycles, with emphasis on whichever measure is longer.

The Manager(s) must make responsible decisions in the selections of specific securities and the general timing of purchases and sales necessary to achieve a satisfactory overall return for the assets. SFA believes that the following objectives are reasonable and achievable within the guidelines provided herein.

These objectives should be achieved over a three (3) to five (5) year time frame. It is not necessary for the Managers to beat the return expectations each quarter.

"Total Return" is the measure of Manager performance. This means total yield of the securities plus capital appreciation or minus capital depreciation measured over the latest quarter, year-to-date, one year, three years and five years.
- **Equity Portfolio Objectives:**
  - Total Return should exceed the CDA Balanced Index by 2% on an annual basis.
  - Total Return should exceed the Consumer Price Index by 4% on an annual basis.
  - Total Return should exceed the S&P 500 by 2% on an annual basis.
  - There should be no more than two consecutive down quarters in any twelve month period where the value of the portfolio is less at the end of the quarter than at the end of the previous quarter.
  - The maximum risk acceptance level in terms of market value of the portfolio is 10% at any time and not a market cycle. Compliance with this risk standard will be reviewed quarterly and be computed as loss in the portfolio value, due to investment performance, since the last quarter with a positive return. This is a control point that should suggest to the Managers that if such decline level is approached a substantial shift in investment strategy and portfolio structure will be warranted.
  - The Managers must be in the top half of their Peer Group over at least three years. The Peer Group will be approved by the Committee.
  - Relative performance is a factor in evaluating the quality of the Manager's services. The Committee's desire is that the Endowment fund's performance place in the upper half of a comparable universe of pension and profit sharing funds during falling markets.

- **Fixed Income Portfolio (Bonds) Objectives:**
  - Total Return should exceed the CDA Balanced Index by 1% on an annual basis.
  - Total Return should exceed the Consumer Price Index by 1% on an annual basis.
  - Total Return should exceed the Lehman Brothers Intermediate Government/Corporate Index by 1% on an annual basis.
  - There should be no more than two consecutive down quarters in any twelve month period where the value of the portfolio is less at the end of the quarter than at the end of the previous quarter.
  - The maximum risk acceptance level of the portfolio is 10% at any time and not a market cycle. Compliance with this risk standard will be reviewed quarterly and be computed as loss in the portfolio value, due to investment performance, since the last quarter with a positive return. This is a control point that should suggest to the Managers that if such decline level is approached a substantial shift in investment strategy and portfolio structure will be warranted.
The Managers must be in the top half of their Peer Groups over at least three years. The Peer Group will be approved by SFA.

Relative performance is a factor in evaluating the quality of the Managers' services. The University's desire is that the Endowment fund's performance place in the upper half of a comparable universe of pension and profit sharing funds during falling markets.

**Total Endowment Objectives:**

- Total Return should exceed the CDA Balanced Index by 2% on an annual basis.
- Total Return should exceed the Consumer Price Index by 3% on an annual basis.
- The Endowment fund's Total Return should be in the top half of a large universe of Managers with an equity weighting equal to that of the Endowment funds on an annual basis.
- Total Return should exceed the Spending Rate plus the Consumer Price Index plus management fees on an annual basis. This will be measured over rolling three year periods.

**V. Administrative and Review Procedure**

On a quarterly basis and annual basis SFA will review actual results achieved by each Investment Manager to determine whether:

- the Manager(s) performed in adherence with the investment philosophy and policy guidelines set forth herein;
- asset allocation, securities selectivity and market-timing decisions were reasonable;
- the Manager(s) performed satisfactorily when compared with the appropriate market indices;
- the Manager(s) performed satisfactorily when compared with a universe of other investment management organizations managing similar funds, and the Manager(s) performed satisfactorily when compared with its Peer Group;
- the Manager(s) achieved the Spending Rate per year;
- the Manager(s) have adhered to this IPS and their contract with SFA.
The Finance Committee has certain duties delegated to it by Board. The Committee is composed by the following:

This Investment Policy Statement is approved by action of the Board of Regents of Stephen F. Austin State University on this 25th day of January, 1994. This IPS is for all of the Endowment fund assets and it supersedes any and all other documents approved prior to this date.

Sissy Austin, Chairman

Date