

USMF FOUNDATION

SPENDING POLICY COMMITTEE CHARTER

PURPOSE

The Spending Policy Committee will develop an endowment spending policy that meets the needs of multiple constituencies, the Board of Directors, the institutions, the donors and the program recipients.

ORGANIZATION

The Committee shall consist of no fewer than 7 (seven) members and shall meet at least twice a year.

The members of the Committee may participate in a meeting by means of a conference telephone or similar communication equipment by means of which all members participating in the meeting can hear each other at the same time, and participation by which means shall be conclusively deemed to constitute presence in person at such meeting.

New members shall receive a copy of this charter upon appointment, and shall receive appropriate orientation from management and the Board.

The Chairperson and other members of the Committee shall be appointed annually by the Board, provided, however, that the Board shall have the right to ask a member to resign from the Committee.

Term length for the Committee Chairman is three years and limited to two terms with a vote for reelection at the end of the first term.

A majority of the Committee members present at a meeting at which a quorum is present (i.e. a quorum as defined by the Bylaws) must approve any proposed action or recommendation of the Committee, and a Committee member dissenting from a Committee proposed action or recommendation may, at his/her discretion, make a presentation to the Executive Committee of the Board regarding his/her views and opinion.

ROLES AND RESPONSIBILITIES

The Committee shall review the current spending policy in order to determine if it is appropriate in light of the current economic environment and the needs of the multiple constituencies as well as the Uniform Management of Institutional Funds Act, as enacted in the State of Maryland, which permits decision makers to consider the expected return (i.e. capital appreciation as well as income) but does not specify a payout percentage.

The Committee shall take into account the following when reviewing and determining the policy, but shall determine the appropriate weight of each factor.

- Maintain Endowments' Purchasing Power
- Fair Distribution of Intergenerational Equity
- Smooth Spending Distribution
- Predictability of Spending Distribution
- Donor Sensitivity
- Spending Stability Account

The Committee shall recommend to the Executive Committee any changes to the spending policy it deems appropriate. The Committee shall annually recommend to the Executive Committee the spending rate for the next fiscal year, usually in February. USM Affiliated Foundations, the USM Endowment (Common Trust) and the State of Maryland Community Colleges which invest their funds with the USM Foundation are not required to adopt the spending policy or spending rate of the USM Foundation.

The Committee may, at its discretion, use the services of any outside counsel as the Committee determines is necessary or appropriate to enable the Committee to fulfill its responsibilities.