

INVESTMENT POLICY

The policy of **University Medical Center Foundation of El Paso** (hereafter called "UMC Foundation") and **El Paso Children's Hospital Foundation**, (both hereafter referred to as "Foundations") are committed to investing and managing their gift and endowment funds (the "Funds") consistent with a long-term investment approach and in a manner intended to achieve long-term growth, continued preservation of the Funds' principal, and the generation of current income.

To further the mission of the Foundations, a portion of income generated by the investments in the Funds is intended for distribution from time to time to beneficiary organizations in a manner that best serves the charitable purposes and interests of the Foundations.

The Foundations are committed to full compliance with all local, state and federal laws, including without limitation, the *Texas Uniform Prudent Management of Institutional Funds Act* (hereafter, the "TUPMIFA") Property Code, Chapter 163.

A. PRIMARY OBJECTIVES: The primary objectives, in priority order, of the Foundations' investment activities shall be:

1. **Safety** - Safety of principal is the foremost objective of the investment program. Investments of the Foundations shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. To attain this objective, the Foundations will diversify their investments by investing funds among a variety of securities that offer independent returns.
2. **Liquidity** - The Foundations' investment portfolios will remain sufficiently liquid to enable the Foundations to meet all operating requirements, which might be reasonably anticipated.
3. **Yield** - The Foundations' Investment Policy shall be designed with the objective of attaining a benchmark rate of return throughout budgetary and economic cycles commensurate with the Foundations' investment risk constraints and the cash flow characteristics of the portfolio.

B. MEMBERS OF INVESTMENT COMMITTEE AND RESPONSIBLE PARTIES:

The members of the Investment Committee are those persons appointed to serve on the Foundation Finance Committee.

C. DEFINITIONS:

1. **Benchmark** - A comparative base for measuring the performance or risk tolerance of an investment portfolio. A benchmark should represent a close correlation of the level of risk and the average duration of the portfolio's investments.
2. **Certificate of Deposit (CD)** - Also called a "time deposit", this is a certificate issued by a bank or thrift that indicates a specified sum of money has been deposited. A CD has a maturity date and a specified interest rate, and can be issued in any denomination. The duration can be up to five years.
3. **Charitable Purpose** - Means the promotion of a scientific, educational, philanthropic, or

environmental purpose, social welfare, the arts and humanities, or another civic or public purpose described by Section 501(c)(3) of the *Internal Revenue Code* of 1986.

4. **Delivery Versus Payment** - A transaction in which the buyer's payment for securities is due at the time of delivery (usually to a bank acting as agent for the buyer) upon receipt of the securities. The payment may be made by bank wire, check, or direct credit to an account.
5. **Demand Deposits** - Checking accounts that pay no interest and from which funds can be withdrawn upon demand.
6. **Diversification** - Dividing investment funds among a variety of securities offering independent returns.
7. **El Paso Children's Hospital Corporation d/b/a El Paso Children's Hospital** - This private nonprofit Texas corporation shall be referred to herein as "El Paso Children's Hospital."
8. **El Paso Children's Hospital Foundation** - This private nonprofit Texas corporation shall be referred to herein as "El Paso Children's Hospital Foundation." This policy shall apply equally to El Paso Children's Hospital Foundation and shall be handled by the same Investment Advisor, Investment Committee, and all other terms and conditions set forth herein.
9. **El Paso County Hospital District d/b/a University Medical Center of El Paso** - This political subdivision of the State of Texas, County of El Paso shall be referred to herein as "UMC".
10. **University Medical Center Foundation of El Paso** - This private nonprofit Texas corporation shall be referred to herein as "University Medical Center Foundation of El Paso." This policy shall apply equally to University Medical Center Foundation of El Paso and shall be handled by the same Investment Advisor, Investment Committee, and all other terms and conditions set forth herein.
11. **Endowment Fund** - Means an institutional fund or part thereof that, under the terms of a gift instrument, is not wholly expendable by the institution on a current basis. The term does not include assets that an institution designates as an endowment fund for their own use.
12. **Gift Instrument** - Means a record or records, including an institutional solicitation, under which property is granted to, transferred to, or held by an institution as an institutional fund.
13. **Investment Advisor** - An investment management firm registered under the *Investment Advisers Act of 1940* or with the State Securities Board to provide for the investment and management of Gift and Endowment funds or other fund under its control. The Foundations may select an investment advisor upon proposal by the Investment Officer, review and recommendation of the Investment Committee, and approval by the Foundations' Board of Directors.
14. **Foundations' Board of Directors** - Shall consist of the members of the University Medical Center of El Paso Foundation Board of Directors and the El Paso Children's Hospital Foundation Board of Directors.

15. **Investment Committee** - Those individuals identified or named by the institutions in Section B, page I of this policy. This Committee is to form the independent, prudent management of the Foundations' Gifts and Endowment Funds. The Committee shall work with, collaborate with, and have oversight of the Investment Officer and shall make recommendations to the Foundations' Board of Directors.
 16. **Investment Officer** - The Hospital District Chief Financial Officer, upon designation by the Foundations' Board of Directors, is the person responsible for the investment of Foundations funds in accordance with this policy.
 17. **Investment Official** - Any one of the following individuals who, acting under the authority of the Investment Officer, engage in investment transactions: UMC Controller/Director of Fiscal Services and the UMC Assistant Controller.
 18. **No-Load Mutual Fund** - An open-end investment company whose shares are sold without a sales charge. There can be other distribution charges, however, such as Article 12B-1 fees. A true no-load fund has neither a sales charge nor a distribution fee.
 19. **Overnight Repurchase Agreement** - A repurchase agreement with a term of one day.
 20. **Rate of Return** - The total annualized income, including coupon interest as well as any amortization or accretion expressed as a percentage of original cost.
 21. **Repurchase Agreement** - An agreement with a commitment by the seller (dealer) to buy a security back from the purchaser (customer) at a specified price at a designated future date. Also called a "repo", it represents a collateralized short-term loan where the collateral may be a Treasury security, money market instrument, federal agency security, or mortgage-backed security. From the purchaser's (customer's) perspective, the deal is reported as a "reverse repo."
 22. **Safekeeping** - A service typically provided by a bank whereby investment securities are held on behalf of clients in a separate security account by the bank. All securities held in safekeeping should be registered in client name and segregated of the assets of other clients and bank assets.
 23. **U.S. Treasury Bills** - Debt obligations of the U.S. Treasury with maturities of one year or less. Maturities for T-bills are usually 91 days, 182 days, or 52 weeks.
 24. **U.S. Treasury Bonds** - Debt obligations of the US Treasury with maturities of 10 years or more.
 25. **U.S. Treasury Notes** - Debt obligations of the US Treasury with maturities of more than 2 years but less than 10 years.
 26. **Yield** - The rate of annual income on an investment, expressed as a percentage. The yields expressed in the Foundations' investment reports are yield-to-maturity at the time of purchase.
- D. PROCEDURES.** Investment of the Foundations' available funds shall be made within the following procedures and guidelines:
1. **SCOPE:**
This Investment policy applies to all gifts and endowment funds of the Foundation. These funds are accounted for in the Annual Financial Audit report and include the Special

Purpose Program Fund accounts. The Foundations may adopt a separate written investment strategy for each of these funds.

2. PRUDENCE:

Investments shall be made with judgment and care - based on best information available - which persons of prudence, discretion and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived.

The standard of prudence to be used by the Investment Committee, Investment Officer, and Investment Officials shall be the "prudent person" standard articulated in Texas Property Code, Chapter 163, Section 163.004 (also known as TUPMIFA)¹ and shall be applied in the context of managing an overall portfolio. The Investment Committee, Investment Officer, and Investment Officials acting in accordance with written procedures and the Investment Policy and exercising due diligence shall be relieved of personal responsibility for changes in an individual security's credit risk or market price, provided deviations from expectations are reported in a timely fashion and appropriate action is taken to control adverse developments.

3. DELEGATION OF AUTHORITY:

- a. Authority to manage the Foundations' investment program is derived from the Foundations' Board of Directors. Ultimate responsibility and authority comes from the Foundations' Board of Directors.
- b. The Foundations' Board of Directors hereby designates by this Investment Policy, adopted by resolution, the Investment Committee, named and identified previously. The Investment Committee is to select a presiding member, meet regularly to review the transactions, progress, and performance of the Investment Advisor, to provide oversight of the actions and procedures of the Investment Officer, and make recommendations to the Foundations' Board of Directors on all matters relating to the investment of Gifts and Endowment Funds covered by this Investment Policy. The Investment Advisor shall present quarterly performance reviews to the Investment and/or Finance Committee.
- c. The Foundations' Board of Directors hereby designates by this Investment Policy, adopted by resolution, the UMC Hospital District Chief Financial Officer as the Investment Officer responsible for the day-to-day investment of Foundations funds and administration thereof. This position will automatically be a member of the Finance committee and will chair the Investment Committee. The Finance Committee chair will automatically be a member of the Investment Committee. The Investment Officer shall establish written procedures for the operation of the investment program consistent with this Investment Policy. Procedures should include reference to safekeeping, wire transfer agreements, banking service contracts and collateral/ depository agreements. Such procedures shall include explicit delegation of authority to persons responsible for investment transactions.
- d. No person may engage in an investment transaction except as provided under the terms of this policy and the procedures established by the Investment Committee and Investment Officer. The Investment Officer shall be responsible for all transactions undertaken and shall establish a system of controls to regulate the activities of subordinate Investment Officials.

- e. In the exercise of their powers, the Foundations' Board of Directors may contract with an Investment Advisor. Such contract will not extend for a term beyond three (3) years and any renewal or extension of the contract will be made by the Foundations' Board of Directors by order or resolution.

4. ETHICS AND CONFLICTS OF INTEREST: The Foundations also follow and hereby adopt the UMC Policy CP-42 Conflict of Interest Policy and Certification Forms.

- a. The Investment Officer and Investment Officials, as well as the Investment Committee and the Foundations' Board of Directors, all of whom are involved in the investment process, shall refrain from personal business activity that could conflict with proper execution of the investment program, or which could impair their ability to make impartial investment decisions. The Investment Officer and Investment Officials, as well as the Investment Committee and the Foundations' Board of Directors, shall disclose to UMC Compliance Department any material
- b. Financial interests in financial institutions that conduct business within this jurisdiction, and they shall further disclose any large personal financial/investment positions that could be related to the performance of the Foundations, particularly with regard to the time of purchases and sales.
- c. The Investment Officer and Investment Officials, as well as the Investment Committee and the Foundations' Board of Directors shall file a statement disclosing any personal business interest in an entity, when that entity is seeking to sell an investment to the Foundations. If the Investment Officer and the Investment Officials, as well as the Investment Committee and the Foundations' Board of Directors are related with the second degree by affinity or consanguinity as determined under Chapter 573 of the Texas Government Code, to an individual seeking to sell an investment to the Foundations, he/she shall immediately file a statement disclosing the relationship. A statement required under this subsection must be filed with the UMC Compliance Department and kept on record with the Foundations' Board of Directors.
- d. The Investment Officer and Investment Officials, as well as the Investment Committee and the Foundations' Board of Directors have a personal business relationship with a business organization if:
 - (1) The officer or employee owns 10 percent or more of the voting stock or shares of the business organization or owns either 10 percent or \$5,000 or more of the fair market value of the business organization; or
 - (2) Funds received by the officer or employee from the business organization exceed 2% of his/her gross income for the previous year; or
 - (3) The officer or employee holds an equitable or legal ownership in real property with a fair market value or \$2,500 or more; or
 - (4) The officer or employee has acquired from the business organization during the previous year investments with a book value of \$2,500 or more for his/her personal account; or
 - (5) The officer or employee is related in the second degree by affinity or

consanguinity or affinity to someone who has a substantial interest as outlined in Section A, Subsection 4(a) and (b) above.

5. AUTHORIZED FINANCIAL DEALERS AND INSTITUTIONS:

- a. Every 3 years, the Investment Officer shall submit to the Investment Committee for their review, a list of qualified brokers for investment transactions. The Investment Committee shall make a recommendation to the Foundations' Board of Directors of the qualified brokers from the list. The Investment Officer may authorize investment transactions only with brokers that have been approved by the Foundations' Board of Directors.
- b. Every 3 years, the Investment Officer shall submit to the Investment Committee for their review, a list of financial institutions authorized to provide investment services to the Foundations. The Investment Committee shall make a recommendation to the Foundations' Board of Directors of the financial institutions authorized to provide investment services to the Foundations from that list. The Investment Officer may authorize investment transactions only with financial institutions that have been approved by the Foundations' Board of Directors.
- c. Every 3 years, the Investment Officer shall submit to the Investment Committee for their review, a list of approved security broker/dealers, selected by credit worthiness, who are authorized to provide investment services in the State of Texas, authorized to provide investment services to the Foundations. The Investment Committee shall make a recommendation to the Foundations' Board of Directors of the approved security broker/dealers authorized to provide investment services in the State of Texas to the Foundations from the list. The Investment officer may authorize investment transactions only with approved security broker/dealers, selected by credit worthiness, who are authorized to provide investment services in the state of Texas, who have been approved by the Foundations' Board of Directors.
- d. The Hospital District Chief Financial Officer shall issue to any person seeking to sell to the Foundations an authorized investment a copy of this Investment Policy.
- e. All financial institutions and broker/dealers who desire to become qualified bidders for investment transactions must supply the Investment Officer with the following as applicable: (1) audited financial statements, (2) proof of National Association of Security Dealers certification, (3) trading resolution, (4) proof of state registration, (5) completed broker/dealer questionnaire, (6) certification of having read the Foundations' Investment Policy, and (7) assurance against imprudent investment activities. The Investment Officer may not buy any securities from a person or entity who has not delivered to the Foundations the required certification.
- f. An annual review of the financial condition and registrations of the investment advisor will be conducted by the Investment Committee, with the assistance of the Investment Officer.
- g. A current audited financial statement is required to be on file with the Investment Committee and Investment Officer for each financial institution and broker/dealer in which the Foundations invests.

- h. If the Foundations chooses to utilize the services of an Investment Advisor, the Investment Advisor shall assume the Foundations' responsibilities by performing required due diligence on the financial institutions with which it conducts business on behalf of the Foundations. The Investment Advisor will provide a list of authorized broker/dealers to Investment Committee and the Investment Officer. After the Investment Committee and the Investment Officer have reviewed the list, they will submit their recommendations to the Foundations' Board of Directors for approval on an annual basis.
- i. The Investment Advisor will review this Investment Policy annually and certify in writing that it has procedures in place designed to preclude investment activities within the Foundations' accounts that are either imprudent or in violation of this policy. In the event the Investment Advisor purchases investment instruments from brokers/dealers on behalf of the Foundations, certifications from each broker are not required, provided the Investment Advisor submits the required certification on behalf of itself and the broker/dealers. The Investment Advisor shall provide its recommendations to the Investment Committee and Investment Officer prior to the annual review of the Investment Policy by the Foundations' Board of Directors.

6. ALLOCATION OF ASSETS:

Academic research offers considerable evidence that the asset allocation decision far outweighs security selection and market timing in its impact on portfolio variability and performance. The following asset classes were selected to achieve the objectives.

Asset Class	Minimum	Preferred	Maximum
U.S Equities – Large Cap	20%	40%	75%
U.S Equities – Mid Cap	4%	6%	15%
U.S Equities – Small Cap	2%	4%	10%
International Equity	10%	15%	30%
Emerging Markets Equity	0%	0%	10%
Equity Portfolio Total		65%	
U.S Core Bonds	5%	10%	25%
Short Term Fixed Income	2%	5%	15%
High Yield Bonds	0%	0%	20%
Preferred Securities	0%	6%	10%
International Bonds	0%	4%	10%
Income Portfolio Total		25%	
Cash & Cash Equivalents	2%	5%	10%
Alternatives Total	0%	5%	10%
Total Preferred		100%	

7. DIVERSIFICATION:

- a. Foundations investments shall be diversified by limiting concentration of specific security types and issuers and by staggering maturity date of specific investments.
- b. With the exception of collateralized bank deposits, U.S. Treasury securities and fully collateralized flexible repurchase agreements related to specific bond issues, investment in any single issuer or financial institution shall be limited to 30% of the total portfolio.
- c. In the event that commercial paper, bankers' acceptances and municipal debt are authorized by policy in the future, they shall be subject to a more restrictive 5% issuer limitation due to higher perceived credit risk.

8. FINANCIAL AND COMPLIANCE AUDITS:

- a. The Investment Committee shall recommend to the Foundations' Board of Directors a review by independent, external auditors or a review by the internal auditor of the El Paso County Hospital District Compliance Department every three years or for such other times as needed. The Foundations' Board of Directors shall approve the hiring and retention of the independent external auditor
- b. The UMC Foundation may periodically review and evaluate the internal controls of the Foundations to assure compliance with policies and procedures, through the El Paso County Hospital District Compliance Department.
- c. The Investment Committee requires quarterly market valuation reports from all institutions holding securities and investments for the Foundations. Such information shall be collected and reviewed by the Investment Committee and the Investment Officer, and both shall report this information to the Foundations' Board of Directors on a periodic basis, not less than semi-annually.

9. YIELD AND MATURITY:

- a. The Foundations have selected weighted-average yield-to-maturity at cost as their preferred measure of investment performance. This shall be calculated on a monthly basis by multiplying each individual security yield-to-maturity at time of purchase by its adjusted book value, totaling the product of these calculations and dividing by the total adjusted book value of the portfolio.
- b. The Foundations shall regularly compare their investment performance to appropriate benchmarks, which reflect similar risk and maturity characteristics as well as to current liquidity options. Thus, performance benchmarks shall include, but not be limited to, 3-, 6- and 12-month Constant Maturity Treasury (CMT) indexes as well as the TexPool local government investment pool.

10. REPORTING:

The Investment Officer and the Investment Committee are charged with the responsibility of including a market report on investment activity and returns in the Foundations' Audited Financial Report. Not less than quarterly, the Investment Committee and Investment Officer shall prepare and submit to the Foundations' Board of Directors a written report of investment transactions for all Foundations Gifts and Endowment Funds. This report

shall be presented to the Foundations' Board of Directors not less than quarterly, within a reasonable time after the end of the period. The report must contain or address the following:

- a. Contain a detailed description of the investment position of the Foundations on the date of the report.
- b. Contain a summary statement for each pooled fund group (i.e. each internally created fund in which one or more accounts are combined for investing purposes).
- c. The report must be prepared in compliance with generally accepted accounting principles and must state:
 - (1) Beginning market value for the reporting period
 - (2) Additions and changes to the market value during the period
 - (3) Ending market value for the period
 - (4) Fully accrued interest for the period
 - (5) Book value and market value of each separately invested asset at the beginning and end of the reporting period by the type of asset and fund type invested.
 - (6) Maturity date of each separately invested asset that has a maturity date.
 - (7) The account, fund, or pooled group fund in the Foundations for which each individual investment was acquired.
 - (8) The compliance of the investment portfolio of the Foundations as it relates to the Foundations' investment strategy expressed in the Foundations' Investment policy and relevant provisions of law.
 - (9) If the Foundations invest in other than money market mutual funds, investment pools or accounts offered by its depository bank in the form of certificates of deposit, or money market accounts or similar accounts, an independent auditor shall formally review the reports at least annually, and that auditor shall report the result of the review to the Foundations' Board of Directors.

11. MONITORING OF MARKET PRICES:

The portfolio shall be valued, at a minimum, on a quarterly basis. Market prices for securities may be provided by an Investment Advisor, or any independent market-pricing source including, but not limited to, Bloomberg, the Wall Street Journal or any broker/dealer that is not responsible for selling the security being priced to the Foundation.

E. INVESTMENT ADVISOR GUIDELINES: The Foundations shall hire a registered Investment Advisor that shall, on the Foundations' behalf, acquire and dispose of individual investments subject to the following guidelines and a contact between the Foundations and the Investment Advisor:

1. **EQUITY PORTFOLIO:** The Equity Portfolio shall have a target weighting of sixty-five percent (65%) of the Fund. At the recommendation of the investment advisor and approval of

the Foundations' Board of Directors the allocation to equities can reach a maximum weighting of seventy five percent (75%) and minimum weighting of fifty percent (50%) for the total portfolio. The Equity Portfolio shall consist of the majority of holdings be listed on a major exchange. Prudent standards of quality will be maintained by the investment advisor and overseen by the Finance Committee. Companies whose securities are held should exhibit strong financial position or have a record of profitable operating results or show future potential growth and profitable operating results. It is expected that the majority of issues will be B+ or better rated Securities by Standard & Poor Corp and the average rating of stocks will meet this minimum test.

2. **INCOME PORTFOLIO:** The Income Portfolio shall have a target weighting equal to twenty-five percent (25%) of the Fund. At the recommendation of the investment advisor and approval of the Foundations' Board of Directors, the allocation to the income portfolio can reach a maximum weighting of fifty percent (50%) and minimum weighting of twenty percent (20%) for the total portfolio. The income portfolio shall consist of investments in U.S. Governments, investment-grade corporate bonds, and preferred stocks; or mutual, index, or exchange- traded funds consisting of investments possessing similar risk, liquidity, and income- generating characteristics as those described. Investments within the Income Portfolio should be short- and intermediate term in nature.
3. **CASH AND CASH EQUIVALENTS PORTFOLIO:** The Cash and Cash Equivalents Portfolio shall have a target weighting of five percent (5%) of the Fund. At the recommendation of the investment advisor and approval of the Foundations' Board of Directors, the allocation to Cash and Cash Equivalents can reach a maximum weighting of ten percent (10%) and a minimum weighting of two percent (2%). The Cash and Cash equivalents portfolio shall consist of cash, money market accounts and CDs with maturities not to exceed (1) year.
4. **ALTERNATIVE INVESTMENTS:** Alternative investments shall have a preferred target weighting of five percent (5%). At the recommendation of the investment advisor and approval of the Foundations' Board of Directors, the allocation to the income portfolio can reach a maximum weighting of ten percent (10%) and minimum weighting of zero (0%). Alternatives are investments other than stocks and bonds whose goal is to diversify the assets of the Foundation without unduly increasing risk. Alternative investments shall consist of real assets (i.e. commodities, infrastructure, precious metals, REITS), private investments, equity return assets, and equity hedge assets.
5. **MISCELLANEOUS POLICY PROVISIONS:**
 - a. **Weighting** - Weighting and concentration guidelines described above should be discussed semi- annual with the Foundations' Board of Directors. The Investment Advisor should have an explanation as to the current weightings of the portfolio and provide recommendations for changes to allocations.
 - b. **Rebalancing** - It is expected that the Portfolio's actual asset allocation will vary from its target asset allocation as a result of varying periodic returns earned in its investments in different asset classes. To remain consistent with the asset allocation guidelines established by this Investment Policy, the Investment Advisor shall review the portfolio and each asset class in which the Portfolio is invested. This portfolio will be rebalanced on a quarterly basis or if an asset class is outside of the minimum or maximum weightings set above. The Investment Advisor will use contributions or

disbursements of the Portfolio to also realign the current weightings closer to the target weightings for the Portfolio.

- c. **Systematic Investing** - A 10-month systematic investment of all cash currently over the 5% cash mandate. All future deposits will have the same methodology of a 10-month systematic investment to the main investment account. In the event of a large endowment receipt which may impact the Investment Portfolio Asset Class maximum of the ten percent (10%) Cash allocation, the Systematic Investing Policy of the endowment in Section SB would trump Section SA that discusses the rebalancing to the preferred asset class weightings.
- d. **Corpus** - Except as required by law, the corpus of the Fund may not be invaded for the purpose of distribution of funds to any party, payment of Fund expenses, or payment of Foundations' operating expenses without the prior consent of the Investment Committee.
- e. **Management Fees** - The Investment Advisor shall strive to minimize the Foundations' management fees (expressed as a % of funds under management or expense ratio) paid to third-party fund and investment managers. Further, the Investment Advisor shall provide full transparency of all fees paid to third parties, if any, as well as the expense ratios of any third-party actively managed funds held by the Fund.

F. INVESTMENT POLICY ADOPTION: The Foundations' Investment policy and investment strategies shall be adopted by resolution of the Foundations' Board of Directors every three (3) years, after review by and recommendation from the Investment Committee, the investment officer and Investment Advisor, if any. The Resolution shall state that the Foundations' Board of Directors have reviewed the Investment Policy and investment strategies and that the written instrument so adopted shall record any changes made to either the Investment Policy or investment strategies.

RESOLUTION TO ADOPT THIS POLICY, MOVED, SECONDED, AND APPROVED BY THE FOUNDATIONS' BOARD OF DIRECTORS, TO BE EFFECTIVE ON THE 24TH DAY OF JUNE, 2024:

UNIVERSITY MEDICAL CENTER FOUNDATION OF EL PASO
AND
EI PASO CHILDREN'S HOSPITAL FOUNDATION


Chairman of the Board or Vice-Chair

6/27/24
Date


Secretary

6/24/24
Date

Review/Revision History:

Revision #	Legal Review	UMC/EPCH Foundation Board of Directors
Original	9/24/2009	9/28/2009
1 st Revision	2/20/2019	2/25/2019
2 nd Revision	1/21/2021	1/26/2021
3 rd Revision	8/26/2021	8/30/2021
4 th Revision	7/20/2022	7/25/2022
5 th Revision		06/24/2024

TEXAS PROPERTY CODE, Chapter 163, Sec. 163.004. STANDARD OF CONDUCT IN MANAGING AND INVESTING INSTITUTIONAL FUND.

- (a) Subject to the intent of a donor expressed in a gift instrument, an institution, in managing and investing an institutional fund, shall consider the charitable purposes of the institution and the purposes of the institutional fund.
 - (b) In addition to complying with the duty of loyalty imposed by law other than this chapter, each person responsible for managing and investing an institutional fund shall manage and invest the fund in good faith and with the care an ordinarily prudent person in a like position would exercise under similar circumstances.
 - (c) In managing and investing an institutional fund, an institution:
 - (1) may incur only costs that are appropriate and reasonable in relation to the assets, the purposes of the institution, and the skills available to the institution; and
 - (2) shall make a reasonable effort to verify facts relevant to the management and investment of the fund.
 - (d) An institution may pool two or more institutional funds for purposes of management and investment.
 - (e) Except as otherwise provided by a gift instrument, the following rules apply:
 - (1) In managing and investing an institutional fund, the following factors, if relevant, must be considered:
 - (A) general economic conditions;
 - (B) the possible effect of inflation or deflation;
 - (C) the expected tax consequences, if any, of investment decisions or strategies;
 - (D) the role that each investment or course of action plays within the overall investment portfolio of the fund;
 - (E) the expected total return from income and the appreciation of investments;
 - (F) other resources of the institution;
 - (G) the needs of the institution and the fund to make distributions and to preserve capital; and
 - (H) an asset's special relationship or special value, if any, to the charitable purposes of the institution.
 - (2) Management and investment decisions about an individual asset must be made not in isolation but rather in the context of the institutional fund's portfolio of investments as a whole and as a part of an overall investment strategy having risk and return objectives reasonably suited to the fund and to the institution.
 - (3) Except as otherwise provided by law other than this chapter, an institution may invest in any kind of property or type of investment consistent with this section.
 - (4) An institution shall diversify the investments of an institutional fund unless the institution reasonably determines that, because of special circumstances, the purposes of the fund are better served without diversification.
 - (5) Within a reasonable time after receiving property, an institution shall make and carry out decisions concerning the retention or disposition of the property or to rebalance a portfolio, in order to bring the institutional fund into compliance with the purposes, terms, and distribution requirements of the institution as necessary to meet other circumstances of the institution and the requirements of this chapter.
 - (6) A person that has special skills or expertise, or is selected in reliance upon the person's representation that the person has special skills or expertise, has a duty to use those skills or that expertise in managing and investing institutional funds.
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