



**Manhattan Beach Education Foundation Endowment
(the "Endowment")**

DISBURSEMENT POLICY

Amended August 2014

1) INTRODUCTION AND PURPOSE

- a) This statement of the Board of Directors of the Manhattan Beach Education Foundation Fund (the "Board") sets forth the policies governing disbursement of the Endowment's financial assets to the Manhattan Beach Education Foundation ("MBEF").
- b) The financial assets of the Endowment include assets permanently invested at the directive of the donor ("Restricted Funds") and assets designated by the Board of Directors of Manhattan Beach Education Foundation as endowment funds ("Unrestricted Funds") taken together ("Funds").
- c) This policy is intended to follow the prudence standards outlined in the Uniform Prudent Management of Institutional Funds Act of 2006 ("UPMIFA"). UPMIFA's prudence standards encourage policies that will be responsive to fluctuations in fund values, maintain appropriate expenditures and accumulations during economic downturns and strengths, and guard against inappropriate depletion of Funds while meeting the core "mission" of the Endowment.
- d) The Board has established an initial fundraising target for the Endowment of \$10 million. In no event shall Funds be transferred out of the Endowment if the market value is less than \$10 million, or if such transfer would cause the market value to fall below \$10 million. Upon reaching this threshold and thereafter, as approved by the Board, the Endowment may transfer Funds to MBEF as specified in this policy.

2) DISBURSEMENT PHILOSOPHY AND GUIDELINES

- a) The Board has adopted a "Market Value" Model (as opposed to an "Income Only" Model) as its governing disbursement policy philosophy. A Market Value policy specifies a fixed percentage of the Funds that may be made available for disbursement annually. This type of disbursement policy encourages a total-return approach to the management of the Funds. This philosophy also favors the long-run preservation of the corpus and a sustainable rate of disbursement over time.
- b) In order to ensure steady, sustainable and secure funding for MBEF, the Board has established a smoothing or moving-average rule to determine the percentage of Funds that may be made available for disbursement annually (the "Target Disbursement Rate").

3) DISBURSEMENTS TO MBEF

- a) If the market value of the Funds is greater than \$10 million on December 31 of each year, the Board may make an annually disbursement to MBEF.
- b) The Endowment's Investment Committee will calculate a recommended disbursement amount by multiplying the market value of the Funds by the Target Disbursement Rate.



- i) The market value used to calculate the recommended disbursement amount is (i) the trailing three-year average of the calendar year-end values of the Funds if such value is equal to or greater than \$15 million; or (ii) the current calendar year-end value of the Funds if such value is less than \$15 million (the “Market Value”). *[Consider using 3 yr ave in (i) no matter what the MV]*
- ii) The Target Disbursement Rate used to calculate the recommended disbursement amount is:

Market Value	Target Disbursement Rate
Less than \$10,000,000	0%
\$10,000,000 - \$12,000,000	1%
\$12,000,001 - \$13,000,000	2%
\$13,000,001 - \$14,000,000	3%
\$14,000,001 - \$15,000,000	4%
Over \$15,000,000	5%

- c) Procedures for affecting the annual disbursement are outlined in Exhibit 1 to this Disbursement Policy, “Disbursement Policy Procedure.”
- d) The Board acknowledges that no disbursement policy can envision all possible scenarios and permutations that may occur. As such, the Board will evaluate the all circumstances in (including, but not limited to market performance, economic conditions, and other external factors) in order to determine, in its full discretion, the actual Target Disbursement Rate. Such determination may result in a Target Disbursement Rate that is less than the Target Disbursement Rate specified in (3)(b).

4) MATERIAL DIRECTED GIFTS

- a) In the event of a gift (i) in excess of \$500,000 or (ii) greater than 5% of the Funds (a “Material Directed Gift”), the Board will, in its sole discretion, determine the guidelines applicable to its acceptance, administration and disbursement, in accordance with the principles outlined in UPMIFA.

5) OPERATING EXPENSES

- a) Endowment’s annual operating expenses are limited to 2% of Funds and are to be paid using Unrestricted Funds. The Board will review this limitation periodically and may, in its sole discretion, reduce this percentage as the Endowment grows significantly. Funds that are not applied to operating expenses in any one year may be carried over to the subsequent year.

6) AMENDMENTS TO THIS POLICY

- a) The Board may amend this policy in order to maintain the Endowment's primary objective, which is to provide steady, sustainable and secure funding for MBEF. To achieve this objective, the Board will invest Funds in a manner consistent with the Endowment’s Investment Policy.



Exhibit I
Disbursement Policy Procedure
August 2014

Manhattan Beach Education Foundation (“MBEF”) established the Endowment to provide steady, sustainable and secure funding to MBEF. The Endowment’s disbursement Funds is governed by this disbursement policy (the “Disbursement Policy”). The process by which Funds are disbursed to MBEF is outlined in this Exhibit I. The value of the Funds used for calculating a disbursement to MBEF will be determined on December 31st of each year (the “Determination Date”). If the Determination Date is not a business day, the nearest prior business day shall be used.

1. No later than the last day of the month following the Determination Date (January 31st), the Investment Committee will submit a recommended disbursement amount to the Board (the “Recommended Disbursement”).
2. The Board will discuss, review and amend the Recommended Disbursement and will appropriate funds for disbursement to MBEF (the “Appropriated Disbursement”).
3. No later than February 15th of the year following the Determination Date, the Board will submit the Appropriated Disbursement to MBEF.
4. No later June 30th of the year following the Determination Date, MBEF will provide the Board a written request specifying the amount of the Appropriated Disbursement it will accept (the “Accepted Disbursement”). The MBEF Executive Board may choose to accept 0% to 100% of the Appropriated Disbursement.
5. Upon receipt of the Accepted Disbursement, the Endowment’s Chief Investment Officer, or his designee, will make the Accepted Disbursement available to MBEF.