

RESOLUTION  
OF  
THE BOARD OF DIRECTORS  
OF THE  
UNIVERSITY OF KENTUCKY ALUMNI ASSOCIATION, INC.  
ESTABLISHING AN  
INVESTMENT SPENDING POLICY  
(Date)

WHEREAS:

1. The University of Kentucky Alumni Association, Inc. (the “Association”) is a not-for-profit corporation established under the laws of the State of Kentucky and recognized as a tax-exempt organization in accordance with the provisions of the Internal Revenue Code of the United States.
2. The Association administers two investment funds: one the so-called “Life Member” Fund and the other the so-called “Credit Card” Fund.
3. The Life Member Fund was established to provide a sufficient source of sustainable funding to assure that all Life Members of the Association would enjoy the full benefits of Association membership for the remainder of their natural lives without further dues obligations to the Association.
4. The Credit Card Fund was established to provide a supplemental source of operational and capital funding for the Association.
5. Withdrawals from both funds are subject to the tax-exempt and not-for-profit status of the Association, acting by and through its Finance and Investment Committee, Executive Committee and its Board of Directors.
6. The existing policy governing withdrawals from the Life Member Fund was established by the Association’s Board of Directors on June 21, 1997. Under the terms of that policy, withdrawals from the Life Member Fund are limited to “*the number of life memberships times the then existing single [member] annual dues rate*” [parsing added]. As of June 21, 1997 the Association’s investments in the Life Member Fund totaled \$5,691,431.

As of December 31, 2022 the Association's investments in the Life Member Fund totaled approximately \$15,796,000.

7. The existing policy governing withdrawals from the Credit Card Fund was established by the Association's Board of Directors on January 17, 1998. Under the terms of that policy, disbursements from the Credit Card Fund are limited to five (5%) percent of the fund balance allocable to the Association's general operating budget and three (3%) of the fund balance allocable for capital needs. As of January 17, 1998 the Association's investments in the Credit Card Fund totaled \$5,009,428. As of December 31, 2022 the Association's investments in the Credit Card Fund totaled \$8,661,014.65.
8. Effective June 30, 2021 under the terms of a certain Memorandum of Understanding and Operating Support Agreement between the Association and the University of Kentucky, the Association's dues and membership models were modified and the Association's Bylaws appropriately amended to reflect those modifications. Under the terms of those documents, payment of dues to the Association is no longer a condition of Association membership and the University of Kentucky now funds various expenses of the Association that were previously funded in whole or in part by member dues.
9. Accordingly, the existing policy guidance governing withdrawals from the Life Member Fund is no longer applicable to the Association's budgetary process. The Association's staff, Finance and Investment Committee and Executive Committee are in need of further policy guidance from the Association's Board of Directors.

NOW, THEREFORE, IN CONSIDERATION OF THE FOREGOING, AND UPON THE RECOMMENDATION OF THE ASSOCIATION'S FINANCE AND INVESTMENT COMMITTEE AND EXECUTIVE COMMITTEE, AND BEING OTHERWISE DULY AND SUFFICIENTLY ADVISED,

IT IS HEREBY RESOLVED AS FOLLOWS:

1. In formulation of the Association's annual budget the Association's Finance and Investment Committee and Executive Committee may consider, but are

not obligated to expend, transfers from the Life Member Fund of not more than four (4%) percent of the Fund's average balance calculated on a rolling twelve (12) financial quarter basis using the balance of the fund on the last business day of the quarter.

2. Likewise, in formulation of the Association's annual budget the Association's Finance and Investment Committee and Executive Committee may consider, but are not obligated to expend, transfers from the Credit Card Fund of not more than four (4%) percent of the Fund's average balance, calculated on a rolling twelve (12) financial quarter basis using the balance of the fund on last business day of the quarter.
3. After formulation by the Finance and Investment Committee and approval by the Executive Committee, adoption of the annual budget will be subject to review and approval by the Association's Board of Directors.
4. This Spending Policy can be reviewed as circumstances change; but must be reviewed at least every five years and whenever expenditures from either fund exceed the limits set forth above.<sup>1</sup> Amendments to this Spending Policy must be approved by the Finance and Investment Committee and Executive Committee prior to submission to the Association's Board for review and approval or other appropriate action.

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<sup>1</sup> By way of example, but not by way of limitation, a large, one-time expenditure from either fund beyond the 4% limit set forth in this spending policy could skew the rolling 12 quarter average computation and lead to an unrealistic, and unwarranted, result. In this example the rolling 12 quarter computation would be reviewed and adjusted by the Finance and Investment and Executive Committee, if necessary, to mitigate any mathematical anomaly created by the one-time withdrawal above the 4% policy guidance. This would not rise to the level of an amendment to the Spending policy itself, but would be reflected in subsequent budget recommendations submitted to the Association's Board for review and approval.