POLICY FOR FIELD OF INTEREST FUNDS
OF
EAST TEXAS COMMUNITIES FOUNDATION

The East Texas Communities Foundation ("Foundation") encourages donors to create Field of Interest Funds ("Funds") for the support of charitable purposes of the Foundation. In order to protect its status as a public charity and the corresponding tax deductions of its donors, the Foundation has adopted the following policy governing Field of Interest Funds:

1. **Agreement** - All Funds shall be established pursuant to a written agreement between the Foundation and the donor, and all Funds shall be subject to the Foundation's Articles of Incorporation, Bylaws and this policy, as amended from time to time.

2. **Board Approval** - The President/Executive Director of the Foundation is authorized to act on behalf of the Foundation in establishing Field of Interest Funds according to the terms set forth in the policies adopted by the Board of Directors; provided the Fund agreement, including a written description of the Field of Interest, is approved by a majority of the members of the Policy Committee of the Board of Directors. The Foundation will maintain a standard Field of Interest Fund agreement form with the Policy for Field of Interest Funds, however, because of the unique purpose of each field of interest fund, approval of a majority of members of the Policy Committee will be required to establish each new field of interest fund.

3. **Ownership** – All Funds shall be Component Funds of the Foundation. The Foundation shall own all Funds and have sole and absolute discretion over the investment and distribution of Funds.

4. **Variance Power** – In accordance with IRS regulations and the Bylaws of the Foundation, the Board of Directors of the Foundation shall have the power to modify any restriction or condition imposed by a donor on the investment or distribution of assets if, in the sole judgment of the Board of Directors, such restriction or condition becomes illegal, unnecessary, uneconomical, impossible to perform, or inconsistent with the charitable needs of the community or area served, and such modification would more effectively serve the charitable purposes of the Foundation taking into consideration the wishes of the donor.

5. **Purpose** - A Field of Interest Fund shall have a stated purpose, and the Foundation shall ensure that all grants from the Fund fall within the stated purpose.

6. **Recommendations** – A Grants Recommendation Committee (the “Committee”) shall be an advisor to the Foundation to make recommendations regarding distributions from the Fund. However such recommendations are advisory only, and the Foundation shall not be bound by such recommendations. The Committee shall be composed of at least three persons all of whom shall be appointed by the Foundation. The Donor may make recommendations as to the membership of the initial Committee, but such recommendations shall be advisory only, and the Foundation shall not be bound by such recommendations. Subsequent appointments to the Committee shall be made by the Board of Directors. The Donor may recommend himself or herself to serve on the Committee, but such recommendation is advisory only, and in no event shall the Donor or related parties constitute a majority of the Committee. The Committee shall
make grant recommendations to the Foundation, in writing and signed by a majority of the members of the Committee, to fulfill the purpose of the Fund. In the event the Donor does not recommend individuals to serve as the initial Committee, the Foundation shall appoint a Committee.

7. **Grantees** - Distributions shall be made only to public charities as defined in Section 170(b)(1)(A) of the Internal Revenue Code (i.e., churches, schools, hospitals, government entities, and publicly supported 501(c)(3) organizations).

8. **Pledges and Benefits** - No distribution from a Fund shall be made to satisfy a written pledge or legal obligation of the donor or any other person, or in return for any benefit or privilege to the donor or any other person (such as gifts or tickets to events).

9. **Distributions** - A Donor shall stipulate in the fund agreement whether principal and/or income may be distributed. If distributions are restricted to income, the Committee may recommend annual distributions up to 5% of the value of the fund as of the immediately preceding December 31. Any portion of the amount available for distribution that is not distributed in one year may be distributed in a subsequent year. If the fund agreement does not specify an annual distribution method, the Foundation will distribute up to 5% of the value of the fund as of the immediately preceding December 31.

10. **Approval of Distributions** - Without further approval by the Board of Directors, the President/Executive Director of the Foundation is authorized to make distributions from a Field of Interest Fund to any nonprofit on the Foundation’s preapproved list of nonprofits, as long as such distributions are consistent with the purpose and terms of the Fund Agreement. Except as provided in the preceding sentence, authority to make distributions from Field of Interest Funds has been delegated by the Board of Directors to the Foundation’s Grants Committee.

11. **Investment** - Field of Interest Funds are intended to be permanent funds which provide annual charitable support for organizations within the designated Field of Interest. As such, the Foundation shall have sole and absolute discretion regarding the investment of the fund.

12. **Statements** - The Foundation shall provide the Donor of a Field of Interest Fund with an annual statement for the fund.

13. **Charitable Needs** - The Foundation shall maintain information about charitable needs, programs and activities in order to assist the Committee in making distribution recommendations and assist the Foundation in making distribution decisions.

14. **Recognition** - Unless otherwise requested by the Committee, the Foundation shall inform the recipient of a distribution from a Fund of the name of the fund from which the distribution was made.

15. **Minimum** - There shall be no minimum amount necessary to establish a field of interest fund.
16. Fees

A. Administrative - In order to contribute to its administrative costs and permanent endowment, the Foundation shall transfer annually from each fund to an unrestricted fund the greater of 1% of average fund balance (for funds up to $1,000,000), 1% of actual distributions, or $250 (or such other dollar amount specified from time to time by the Foundation). This annual transfer may be made in monthly or other increments. For funds of balances greater than $1,000,000 the annual administrative fee shall be as follows:

<table>
<thead>
<tr>
<th>Next Balance</th>
<th>Fee</th>
</tr>
</thead>
<tbody>
<tr>
<td>$1,000,000</td>
<td>.75%</td>
</tr>
<tr>
<td>$3,000,000</td>
<td>.50%</td>
</tr>
<tr>
<td>$5,000,000</td>
<td>.35%</td>
</tr>
<tr>
<td>$10,000,000 and above</td>
<td>.25%</td>
</tr>
</tbody>
</table>

If a donor establishes more than one fund with the same administrative fee schedule, then the balance of the funds shall be combined for administrative fee calculation purposes.

B. Investment - In addition to the amount transferred annually to the unrestricted fund of the Foundation, each fund shall be charged for any out-of-pocket expenses (such as sales commissions, third party investment management fees, or other handling fees) incurred directly by that advised fund.

C. Other Expenses: A fund may require additional professional services and administrative support from time to time which are over and above normal administrative costs. Each fund shall be charged for any out-of-pocket expenses incurred directly by that fund. Such additional costs may include consulting, legal, accounting, marketing and other fees for professional services incurred to support a specific charitable fund, or the processing of an unusually large number of disbursements or gifts.

17. Fund Termination - In the event the stated purpose of the Fund is no longer needed, its remaining balance shall be transferred to the Unrestricted Fund of the Foundation unless the agreement establishing the Fund provides otherwise. For example, once a cure for cancer is found and the disease is eliminated, a Fund created to assist cancer patients would be transferred to the Foundation’s Unrestricted Fund unless the agreement provided otherwise.

Board approved: May 20, 2011