




MEMORANDUM

TO: UHF Account Administrators

FROM: William R. King 
VP for Administration/CFO

DATE: October 24, 2006

RE: Endowment Fund Payout Rate for FY2006-07

Beginning in fiscal year 2004-05 the Foundation's Board of Trustees approved a change in our methodology for computing the payout and administrative fee on endowment funds. Previously the rates were applied to the market value of the endowment as of the beginning of the fiscal year. Based on a recommendation from our investment consultant, Cambridge Associates, we changed to a more conservative methodology which minimizes volatility. This change took place over three years. Beginning fiscal year 2006-07 and going forward, we will use the average of the previous twelve quarters of market value.

For fiscal year 2006-07, the payout was computed based on 4.6% rate approved by the Board and applied to the twelve-quarter average market value ending June 30, 2006. This translates into a \$1.44 per unit payout, which is a 9% increase over last year's payout of \$1.32 per unit. Distributions will be made at the end of each calendar quarter based on the number of units held times \$.36 for those accounts whose market values are 6% or more above the book value or whose primary donors have indicated that distributions should continue even if the market value is below book. The September 30 distributions have been posted to those accounts eligible to receive distributions this fiscal year.

An additional 1.5% of the June 30, 2006 market value of the endowment is designated as an administrative fee to support Foundation operations.

Please visit our website at <http://www.uhf.hawaii.edu/finance/> for additional information on understanding your endowment. If you have any questions, please contact me at bill.king@uhf.hawaii.edu.