

Texas Tech University System Regulation 04.05

Gifts of Securities

Approved: July 2025

Next Scheduled Review: July 2030

1. Purpose

- a. This System Regulation provides components of the Texas Tech University System with guidance relating to the acceptance, recording, and acknowledgement of Gifts of Securities made to Components of the Texas Tech University System, or to Texas Tech Foundation, Inc. (“TTFI”), or other Affiliated Entity, for the benefit of one or more Component.

2. General

- a. Texas Tech University System (the “System”) Regents’ Rules 06.01.1 states that the Chancellor and the Vice Chancellor of Institutional Advancement (“VCIA”) shall establish and administer procedures for the proper acceptance and acknowledgement of all Gifts.

3. Definitions

All definitions outlined in Texas Tech University System Regulation 04.01 shall apply to this System Regulation.

4. Establishment of Institutional Operating Policies (“OPs”)

- a. Each Component will be responsible for maintaining Institutional Operating Policies related to Gifts of Securities. These policies are subject to, and should comply with, the guidelines and policies established under Regents’ Rules and System Regulations, as well as State and Federal law. Policies should be drafted in cooperation and coordination with IA and the TTUS Office of the Vice Chancellor and Chief Financial Officer (“VCCFO”).

5. Gift of Securities Acceptance – General

- a. The VCIA and Texas Tech University System Institutional Advancement, Financial Services (“IAFS”) shall review all Gifts of Securities in accordance with the standards and procedures in this Regulation, as well as Texas Tech University System Regulation 04.01 prior to acceptance. If a Gift of Securities requires any additional

review and/or approvals (as outlined below), such approvals will be obtained before acceptance of the gift occurs.

- b. IAFS, Texas Tech University System Institutional Advancement, Legal Services (“IA Legal”), Texas Tech Foundation, Inc. (“TTFI”), and/or the Affiliated Entity, should be notified when a transfer of stock is to be made for a gift to any Component.
- c. The transfer of ownership should be made from the donor to TTFI for the benefit of the System or one or more Components.
- d. The *Gift of Stock Transmittal Form* (“Transmittal”) should be completed by IA Legal and/or IAFS in order to capture the necessary information to properly record and designate the donor’s intent.
- e. Transmittal is not complete until the stock is sold, proceeds deposited, and the funds properly allocated.

6. Transfer of Securities

a. Marketable Securities

- i. Securities that are traded on a publicly traded stock exchange or other readily marketable securities, including mutual funds, shall be accepted by all TTFI for the benefit of all Component Institutions.
 - 1. TTFI’s preferred stock brokerage is Merrill Lynch, Pierce, Fenner & Smith (“Merrill Lynch”).
 - 2. If a donor requests that a different brokerage be established to receive a readily marketable security(s), that request must be approved by IA Legal, the VCIA, and VCCFO.
- ii. Generally, such securities will be liquidated **immediately** upon proper receipt by TTFI.
- iii. Acceptance of stock with restrictions on the immediate sale of stock, such as Rule 144, should be reviewed with caution. During times of market volatility, the delay in the sale of stock by TTFI may result in loss of funding for programs and student financial aid, contrary to the donor's original intent.

b. Closely Held Stock

- i. As defined by IRS Publication 542, a corporation is closely held if (1) it is not a personal service corporation, and (2) at any time during the last half of the tax year, more than 50% of its outstanding stock is, directly or indirectly, owned by or for five or fewer individuals. "Individuals" includes certain trusts and private foundations.
- ii. This type of stock must follow direct rules of acceptance due to the uncertainties in valuation and hidden restrictions. Additional information may be required prior to acceptance.
- iii. IA Legal must be notified to determine if there are transfer restrictions contained in the bylaws and/or reflected on the stock certificate.
- iv. Prior to acceptance, the TTFI Treasurer must review the most recent audited financial statement or financial appraisal, and other financial history such as profitability forecasts.

7. Date of Record

- a. The delivery date of the stock is the date that the donor has unconditionally relinquished all rights to the stock and all necessary and complete documentation is available to execute the transfer.
- b. IAFS shall be responsible for determining the date of record. The market source used to determine the stock transfer valuation that will be acknowledged to the donor will be recorded from an established brokerage website or daily investment publication such as the Wall Street Journal.
- c. If the securities are hand-delivered to an agent of TTFI by the donor or the donor's broker or agent, then the date of record is the date TTFI receives the securities. This rule applies when private couriers are used for delivery. Physical address for delivery:

Texas Tech Foundation
1508 Knoxville Ave.
Suite 208
Lubbock, Texas 79409

- d. If the donor or the donor's broker or agent mails the securities to TTFI, the date of record is the day the securities are date stamped by the U.S. Post Office. This rule applies to U.S. mail only, not private couriers.
- e. If the securities are delivered by the donor to the donor's broker or agent, or to the issuing corporation, with instructions that the securities be reissued in TTFI's name,

the date of record is the date the stock is transferred to TTFI on the corporation's books.

- f. For closely held stock, the date of record will be the date that TTFI accepted the transfer of the certificates, any restrictions, and determined value.

8. Valuation Methods

a. Publicly Traded Shares (Based on Selling Price)

- i. When there is a market for the securities on a stock exchange, in an over-the-counter market or otherwise, fair market value is the mean between the highest and lowest quoted selling prices on the date the gifts are delivered or deemed to be delivered.
- ii. If there are no market sales on the date of record but there were sales on the dates within a reasonable period both before and after delivery, fair market value is a weighted average of the mean between the highest and lowest sales on the nearest trading dates before and after the date of record. The respective numbers of trading days between the selling dates and dates of record weights the average inversely.

b. Mutual Fund (Money Market Funds) Shares

- i. For gifts of mutual funds in open-ended investment companies, the fair market value is the redemption price "bid" on the date of record. Close-ended investment company shares should be valued the same way as securities traded on a stock exchange or over-the-counter.

c. Closely Held Stock

- i. Stocks that are not (or cannot be) marketed through a public stock exchange or other means are subject to more scrutiny than marketable securities to determine value.
- ii. Required information about the closely held company stock must be obtained before an objective valuation can be made.
- iii. TTFI ultimately determines the value of the gift of stock.
- iv. As required by the Internal Revenue Service, if the determined value is more than \$10,000, then the donor is required to secure a formal appraisal.

9. End-of-Year Stock Transfer Considerations

- a. In order for an official gift receipt to be issued for a gift of stock prior to December 31 of the giving year, the stock must be transferred to TTFI in one of the following methods:
 - i. The properly endorsed certificate or unendorsed certificate (with a properly executed irrevocable stock power) is physically delivered to TTFI, a development professional, or agent representing TTUS or TTFI on or before December 31.
 - ii. The properly endorsed certificate or unendorsed certificate (with a properly executed irrevocable stock power) is placed in the U.S. mail addressed to TTFI and postmarked on or before December 31.
 - iii. The properly endorsed certificate or unendorsed certificate (with a properly executed irrevocable stock power) is placed with a courier other than the U.S. mail, addressed to TTFI, and is physically delivered to TTFI on or before December 31.
 - iv. The stock shares are actually transferred to TTFI on the records of the corporation by the donor or the donor's broker or agent on or before December 31.
- b. Because of the restrictions and valuation requirements for transfer of closely held stock, such transfers need to be executed well in advance to allow time for IA Legal to review and analyze.

10. Sale of Stock

- a. Stock should be sold as soon as reasonably possible.
- b. Exceptions:
 - i. **All** necessary and complete documentation is not available to conduct the sale. This includes donor name, address, and designation of the gift. If this information is not known at the time of receipt, IAFS will e-mail all TTUS development professionals with a request for more information.
 - ii. There is a 144 restriction in force.
 - iii. The stock is closely held and TTFI has not approved the acceptance and the value.

- c. Stock proceeds should be made payable to Texas Tech Foundation, Inc. and delivered to:

Texas Tech Foundation
ATTN: Director of Financial Services
P.O. Box 45025
Lubbock, Texas 79409-4025

11. Recording and Reporting Requirements

- a. Area Responsibility

- i. IAFS shall be the primary source for tracking, recording, and filing gifted securities.
 - ii. In certain circumstances, the donor will not notify the Component Institution or a development professional of a gift of stock. The Component Institution or development professional shall notify IAFS upon receiving said notification. IAFS will review the preferred stock brokerage account daily and any other stock brokerage accounts that have been established for TTFI weekly for indications of any new transfers.
 - iii. IAFS should be the primary contact for questions and answers for gifts of securities. IA Legal staff will serve as a backup and will perform similar responsibilities in the absence of the IAFS staff.

- b. Transfer of Stock

- i. When the date of record and stock value have been determined, a journal entry should be prepared to record the outstanding stock as a current asset on the balance sheet.
 - ii. The same information must be entered in the alumni donor database to properly credit and acknowledge the donor for the gift.

- c. Sale of Stock

- i. When the proceeds of the sale of stock have been received, a *Department Deposit Information Sheet* (DDIS) should be prepared to record the proceeds in Banner on the day of receipt or the next business day following delivery.

- ii. Upon receipt by IAFS, funds shall be deposited within 3 (three) business days.
- iii. The entry will also include the net gain or loss from the sale, based on the value determined on the date of record.

d. Gift of Stock Transmittal Form

- i. The completed stock "packet" should be filed as designated. Retention of the "packets" should follow the retention schedule as maintained by IAFS.

Contact Office: TTUS Institutional Advancement, Financial Services
Ia.financial@ttu.edu
806-724-1436