THE DAVID & LUCILE
Packard Foundation

Spending Policy

The David & Lucile Packard Foundation intends to be a long-term, though not necessarily perpetual, institution. Currently it is the intention of the Foundation to exist as a strong foundation working toward important goals in its program areas through at least 2060, representing approximately the lifespan of David and Lucile Packard's grandchildren. As such, there is a need to balance the needs of both current and future grantees. The Foundation is structuring its investment goals and spending policy with this horizon in mind.

Considering these goals, The David and Lucile Packard Foundation adopts the following spending policy:

1. The target spending rate shall be 5.2% of the twelve-quarter average assets over the three years immediately preceding the applicable budget year. For budget preparation purposes, the latest few quarter valuations may be estimated based upon the most current information available.

2. Spending shall include all manner of cash payments including grants, operating and capital expenses, and permanent increases to the Mission Investing (MI) portfolio (however, as an exception, new MIs made in order to bring the portfolio up to a level of $200 million shall *not* be included within target spending). Spending shall exclude the Investment Office operating budget, which is netted against investment income, and any MI flows that would temporarily over- or under-shoot the MI target portfolio level.

3. It is acknowledged that using a rolling average as a base to which the spend rate is applied results in under-spending the target spend rate when the endowment is rising and over-spending it when the endowment is falling. To prevent deviations from the target spend rate that are too substantial, the Foundation shall adopt a spending floor and a spending cap. As a spending floor, the Foundation shall adhere to the IRS rules for the minimum required distributions to avoid the undistributed income tax. In order to protect the endowment from the effects of over-spending in a depressed market environment, a cap of 6.0% of current endowment value will be applied during the annual budget-setting process. Furthermore, after the annual budget is set and during any budgetary year, the Board will re-consider current budget levels should they exceed 6.5% of current endowment value.

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Adopted: *June 4, 2010 by the Board of Trustees*
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Contact: *Office of the CFO and COO*