ADMINISTRATIVE MEMORANDUM

SUBJECT  Operation of Endowment Funds

NUMBER  32

DATE  April 16, 1974

TO ALL CHANCELLORS:

Attached is a copy of the Resolution concerning the operation of endowment funds which was passed by the Board of Governors at its meeting on April 11, 1974.

If your institution has any endowment funds, the Resolution requires that your Board of Trustees take the following formal actions:

1. Adopt one of the three options specified in Section 1 of the Resolution.

2. If your Board elects either the second or third option, a board of trustees of the endowment fund should be appointed according to the provisions of Section 2 of the Resolution.

3. You should advise me in writing of your Board's actions concerning 1. and 2. above.

I would appreciate your taking this matter to your Board of Trustees at your earliest convenience. Should you have questions, please direct them to Vice President Joyner.

[Signature]

William Friday

Attachment
BE IT RESOLVED BY THE BOARD OF GOVERNORS OF THE UNIVERSITY OF NORTH CAROLINA

Section 1. The board of trustees of each of the constituent institutions of The University of North Carolina may provide for the acquisition, management, and disposition of endowment properties and the income thereof in the following ways:

(1) The board of trustees may establish and maintain a permanent endowment fund in the manner provided in G.S. 116-36; or

(2) the board of trustees may establish and maintain an endowment fund in the manner provided in Section 2 of this resolution; or

(3) the board of trustees may employ both of those methods to establish endowment funds.

Sec. 2. The board of trustees of each of the constituent institutions may establish and maintain an endowment fund for the institution in the following manner:

(1) The board of trustees may appoint an investment board to be known as "The Board of Trustees of the Endowment Fund of ________" (here shall be inserted the name of the institution), and the board of trustees of the endowment fund shall be an agency of the board of trustees of the constituent institution and shall have the powers and duties prescribed in this section.

(2) The board of trustees of the endowment fund shall consist of five members, one of whom shall be the chairman of the board of trustees of the constituent institution, one of whom shall be the chancellor of the constituent institution, and three of whom may be (but need not be) members of the board of trustees of the constituent institution and who shall be elected by the board of trustees of the constituent institution for overlapping terms of three years each. The terms of the initial members of the board of trustees
shall be for one, two, and three years each. All elections thereafter shall
be for a regular term of three years, except that any person elected by the
board of trustees to fill a vacancy created otherwise than by the expiration
of a term shall be elected to serve the remainder of the term of the person
whom he succeeds.

(3) The chairman of the board of trustees of the constituent institution
shall be *ex officio* the chairman of the board of trustees of the endowment
fund of that institution.

(4) The board of trustees of the endowment fund may receive gifts,
donations, and bequests. They may in their discretion retain such properties
in the form in which they are acquired and may use them as a permanent
endowment fund. They may acquire and retain in the permanent endowment fund
any other monies or securities of any kind that may come to them from the
Board of Governors of The University of North Carolina or from any other
source, excepting always the monies received from State appropriations and
from tuition, fees, and similar payments by students which are received to
support the general operation of the institution.

(5) The board of trustees of the endowment fund may sell any property,
real or personal, of the endowment fund at either public or private sale. In
the acquisition and disposition of real property for the benefit of an
endowment fund, irrespective of the value of such property, all transactions
shall be conducted directly between the board of trustees of the endowment
fund and the State Department of Administration, the Governor, and the Council
of State, without the necessity of approval by the President or the Board of
Governors of The University of North Carolina.

(6) The board of trustees of the endowment fund shall be responsible
for the prudent investment of the endowment fund, in the exercise of their
sound discretion, without restriction by any statute or rule of law relating
to the investment of funds by fiduciaries.

(7) The board of trustees of the endowment fund may designate a fiscal
agent or agents and from time to time may change such designations.

(8) The principal and income of all endowment properties shall be
held and expended in strict accordance with the terms of the gift, devise, or
bequest by which they were acquired and for the benefit of the constituent
institution which it was the intention of the donor or testator to benefit.

(9) It is the intent of the Board of Governors that the income from
such endowment fund shall not take the place of State appropriations or any
part thereof, but that it shall supplement the State appropriations to the end
that the institution may improve and increase its functions, may enlarge its
areas of service, and may become more useful to a greater number of people.

(10) All expenditures of monies from the endowment fund shall, upon the
recommendation of the chancellor of the constituent institution, be approved
by the board of trustees of the constituent institution.

(11) The board of trustees of the endowment fund shall submit a
comprehensive report to the Board of Governors annually.

Sec. 3. The Committee on Budget and Finance of the Board of Governors
of The University of North Carolina shall constitute the board of trustees of
all endowment funds now held or hereafter acquired by The University of North
Carolina for the benefit of The University as a whole or for the joint benefit
of any two or more constituent institutions of The University. That Committee
shall function in all respects as heretofore provided for the board of trustees
of the endowment fund of a constituent institution created under authority of
Section 2, above, except that expenditures from the endowment funds under its
control shall be made upon recommendation of the President of The University of North Carolina.

Sec. 4. The Board of Governors of The University of North Carolina Press shall constitute the board of trustees of all endowment funds now held or hereafter acquired for the benefit of The University of North Carolina Press. That board shall function in all respects as heretofore provided for the board of trustees of the endowment fund of constituent institution created under authority of Section 2, above, except that expenditures from the endowment funds under its control shall be made upon recommendation of the President of The University of North Carolina.

Sec. 5. This resolution shall become effective upon its adoption by the Board of Governors of The University of North Carolina.