

ESTABLISHMENT AND ADMINISTRATION OF ENDOWMENTSI. General Delegation of Authority to Accept and Contract for Endowments.

The authority to contract in the name of the Board of Trustees of the University of Arkansas to establish endowments and the authority to accept gifts to establish endowments is delegated to the President, the Vice President for Finance and Administration, the Chancellors and the Vice President for Agriculture, subject to provisions and restrictions of this Board policy, Universitywide Administrative Memoranda issued by the President supplementing this Board policy and of applicable law.

II. Endowment Agreements.

Any agreement for the establishment of an endowment shall require the review of the General Counsel's office prior to its execution or shall be on a standard form previously approved by the General Counsel's office. Endowments created by will or trust shall require the review of the General Counsel's office prior to acceptance and such endowments may be accepted by the Chancellors and the Vice President for Agriculture.

III. Reporting of Endowments to the Board of Trustees.

All endowments established by will, trust, agreement or otherwise shall be reported to the Board at any regular or special meeting within a reasonable time after such endowment is established. The Chairman of the Board, or officials of the University designated by the Chairman, shall acknowledge all endowments by a Certificate of Endowment bearing the seal of the University. The Certificate shall be presented by the Chancellor, the Vice President for Agriculture or the President to the donor or a representative of the donor in such manner as they deem appropriate. Certificates of Endowment may be presented after an endowment has been established and in advance of the endowment being reported to the Board at a regular or special meeting.

IV. Minimum Requirements for Named Endowments.

The minimum level of funding required to establish named endowments for prizes or awards, scholarships, lectureships, professorships and chairs shall be as set forth hereafter. The President may authorize a greater amount for named endowments at the request of a Chancellor or the Vice President for Agriculture and also may authorize the creation of other named endowments, including definite term endowments, and the minimum amounts required to establish such endowments. Endowments which the University has committed to donors to establish under minimum requirements previously in effect shall continue to be eligible to become named endowments upon achieving the amount set forth under the previous policies of the Board. The following minimum levels for named endowments may be inclusive of any matching grants from the State of Arkansas or other matching funding source.

Type of Endowed FundMinimum Amount

Annual Prize or Award	\$ 5,000
Scholarship	15,000
Lectureship	50,000
Professorship	250,000
Chair	1,000,000

V. Standard Terms and Conditions of Endowments.

The following terms and conditions shall be applicable to all endowments and shall be incorporated in the endowment agreement regardless whether such terms and conditions are specifically set forth in the agreement:

- (1) The University shall invest, and from time to time reinvest, an endowment and any additional sums which may be donated to an endowment. The net income, or a portion thereof, which may be derived from an endowment, including so much of the net appreciation, realized and unrealized, in the fair value of the assets of the endowment over the historic dollar value of the endowment which is appropriated for expenditure by the University, shall be used for the purposes set forth in the endowment and any gift agreement establishing it. Further, consistent with policies for spending of endowments adopted by each campus, division or unit and reviewed by the University Investment Committee, the endowment fund may be used and expended for the purposes set forth in the endowment in accordance with such spending policies. Although the objective in investment of an endowment is to achieve an annual return to keep up with inflation, pay investment managers and administrative expenses, and to distribute an amount to support the purposes set forth in the endowment, market fluctuations may frustrate this objective and thereby prevent achieving the purposes set forth in the endowment and any gift agreement establishing it. Accordingly, in the event that there is insufficient net appreciation in an endowment to appropriate for expenditure, a reasonable portion of the endowment fund may be so appropriated to meet the immediate purposes of the endowment, provided that the Chancellor or other appropriate University official, with review by the University Investment Committee, shall take steps to assure restoration of the endowment to at least its historic dollar value within a reasonable time. Such steps may include, but are not limited to, planned or phased reduction in distributions from the endowment for future fiscal years in such manner as will not disrupt current scholarship recipients or other beneficiaries of the endowment. In the event an endowment should be reduced more than 25% below its historic value, the Chancellor or other appropriate University official, with review by the University Investment Committee, will take prompt steps to suspend distributions from the endowment fund in subsequent fiscal years until the value is restored to an amount at least equal to 75% of historic value.
- (2) The investment of an endowment, and reinvestment from time to time, shall be governed by the investment policies of the University. The assets of an endowment may be commingled with other assets for the purpose of investing and reinvesting the same, but

separate accountings shall be maintained so that the principal and the income of the endowment will be clearly identified at all times.

- (3) An endowment shall also consist of such other property or money which may be received by gift, bequest or devise in the future from individuals, firms, foundations, estates or other entities and which shall be accepted by the University. When such gift, bequest or devise is accepted, it shall be credited to and held as a part of the endowment, provided that the name of the endowment, and any designation of it as an endowment, shall not be changed as a consequence of any other gift, bequest or devise made to it.
- (4) The University may contract with professional custodians and investment managers or advisors to hold, invest and reinvest an endowment and the cost of such custodial services and investment management shall be paid by the endowment. In addition, the University may allocate a portion of the income of an endowment to its reasonable and necessary costs of administering the endowment and efforts of the University to increase and enhance the endowment through other gifts and endowments.
- (5) If, because of changed conditions, it becomes impossible or impracticable to fulfill the purposes for which an endowment is established, the Board may direct that the endowment be used for other purposes as closely related as possible to those purposes for which the endowment was established. In such event, the University will, to the extent practicable, consult with the donor or the donor's heirs, descendants, personal representatives, legal representatives or officers, or other such persons as may be appropriate.
- (6) Restrictions as to eligible beneficiaries of an endowment shall be consistent with applicable law. To the extent an endowment shall be determined to be illegal or unconstitutional, the Board may change the endowment to comply with applicable law and to accomplish, as nearly as possible, the purposes of the endowment.

#### VI. Waiver of Endowment Policy.

The provisions of this Board Policy may be waived or modified by the President in his discretion when he determines that it is in the best interest of the University to do so. As an example, and not in limitation of this authority, such action may be taken in those instances where foundation or corporate donors have standard form endowment agreements or provisions which they customarily require to be included in any endowment.

#### VIII. Effective Date.

This Board Policy is effective on the date of its adoption and applies to endowments accepted thereafter. Endowments created by agreements entered into prior to the effective date but not yet accepted by the Board shall be subject to this policy although such endowments, at the

option of the University, may continue to be established by Board resolution under procedures similar to those existing prior to the adoption of this policy.

November 16, 2002 (Revised)

April 9, 1999 (Revised)

January 27, 1989 (Revised)

June 25, 1987 (Revised)

September 18, 1981